

A SUMMARY APPRAISAL REPORT OF
AN INDUSTRIAL PROPERTY WITH
22,595 SQUARE FEET OF BUILDING IMPROVEMENTS
AND 53,721 SQUARE FEET OF SITE AREA

LOCATED AT

2422 WEST HOLLY STREET
PHOENIX, ARIZONA 85009

PREPARED FOR

MR. RYAN MAXWELL
ARIZONA DEPARTMENT OF ADMINISTRATION
100 NORTH 15TH AVENUE, SUITE 202
PHOENIX, AZ 85007

EFFECTIVE DATE OF APPRAISAL

DECEMBER 14, 2009

PREPARED BY

SELL & ASSOCIATES, INC.
4625 SOUTH LAKESHORE DRIVE
TEMPE, ARIZONA 85 282-7127
WWW.SELLASSOC.COM
480-345-4400

FILE NO.

09.0312

SELL & ASSOCIATES, INC.

REAL PROPERTY APPRAISERS AND CONSULTANTS

January 11, 2010

Mr. Ryan Maxwell
Arizona Department of Administration
100 North 15th Avenue, Suite 202
Phoenix, AZ 85007

Re: A summary appraisal report of a 22,595 square foot, industrial property located at 2422 West Holly Street in Phoenix, Arizona
Sell & Associates, Inc. File Number 09.0312

Dear Mr. Maxwell:

At your request, we have appraised the above-identified property. The effective date of the appraisal is December 14, 2009. The objective of this appraisal has been to provide an opinion of the market value, as is, of the fee simple interest in the subject property as of the effective date of valuation. This value estimate is predicated upon the definition of value that is presented within the body of the report.

Based upon the findings of our investigation, it is our opinion that the market value, as is, of the fee simple interest in the subject property, as of December 14, 2009, is:

ONE MILLION TWO HUNDRED THOUSAND DOLLARS
\$1,200,000

This value conclusion does not include any tangible or intangible personal property. The subject property has no significant natural, cultural, or scientific value.

Our client is the Arizona Department of Administration. The intended user of the appraisal is the Arizona Department of Administration. The intended use of this appraisal is in asset management decisions. This report may not be used for any other reason nor is it intended for use by any other entity than the intended users.

Within the scope of this report, the cost, sales comparison and income approaches to value were considered; however, only the income and sales comparison approaches were used to estimate the value of the property. In the valuation section, each approach is discussed in detail. The data collected and used in the valuations are referenced in the report. The sources of the data and confirmation are also

referenced. The degree of reliance, as well as the significance of the data and each approach, is also presented. Any departure from this practice is addressed herein.

The value conclusion is based on the attached report and all of the assumptions and limiting conditions contained therein, including the understanding that we have no control of the use to which the report may be put by a subsequent reader of this report. Disclosure of the contents of this appraisal report is governed by the Bylaws and Regulations of the Appraisal Institute.

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or the firm with which they are connected, nor any reference to the Appraisal Institute or the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication without prior written consent and approval of the undersigned.

This report may not be used for the sale of partial property interests (limited, general partnership and syndication) unless specifically authorized by the appraisers.

The undersigned do hereby certify, except as otherwise noted in this appraisal report, that:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest or bias with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. Our analyses, opinions, and conclusions were developed in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP).

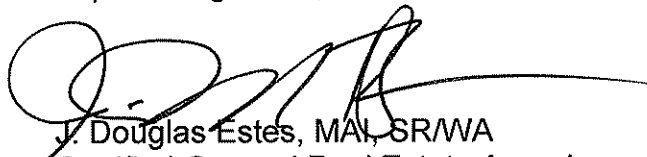
8. The reported analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. Our engagement in this assignment was not conditional upon our appraisal producing a specific value or a value within a given range. Future employment prospects were not based upon whether a loan application (if applicable) is approved. No pressure was placed upon us to estimate a specific value. Furthermore, the appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.
11. As of the date of this report, both Jan A. Sell, MAI, SRA and J. Douglas Estes, MAI, have completed the requirements under the continuing education program of the Appraisal Institute.
12. Blake Hardison provided significant real property appraisal assistance in the preparation of this report.
13. Doug Estes man an interior and exterior inspection and Jan Sell made an exterior inspection of the subject property.

We appreciate the opportunity to assist you.

Respectfully submitted,



Jan A. Sell, MAI, FRICS, SRA, CCIM, SR/WA
Certified General Real Estate Appraiser
Certificate Number 30120, State of Arizona
Expires August 31, 2010



J. Douglas Estes, MAI, SR/WA
Certified General Real Estate Appraiser
Certificate Number 30821, State of Arizona
Expires October 31, 2011

Table of Contents

SUMMARY OF SALIENT FACTS	1
ASSUMPTIONS AND LIMITING CONDITIONS.....	3
SCOPE OF THE REPORT.....	7
INTRODUCTION.....	9
MARKET AREA DESCRIPTION AND ANALYSIS.....	12
SITE DESCRIPTION.....	15
IMPROVEMENT DESCRIPTION.....	23
MARKET ANALYSIS	26
HIGHEST AND BEST USE ANALYSIS	28
VALUATION PROCESS.....	31
SALES COMPARISON APPROACH TO VALUE.....	33
INCOME CAPITALIZATION APPROACH TO VALUE	50
RECONCILIATION AND FINAL VALUE ESTIMATE	63
ADDENDA	
SUBJECT PHOTOGRAPHS	
ENGAGEMENT LETTER	
ZONING DESCRIPTION	
APPRAISERS' QUALIFICATIONS	

SUMMARY OF SALIENT FACTS

Type of Property:	An industrial property with 22,595 square feet of building improvements and 53,721 square feet of site area
Location:	2422 West Holly Street in Phoenix, Arizona
Objective of the Appraisal:	To provide an opinion of the market value, as is, of the fee simple interest in the subject property
Intended Use:	Marketing decisions
Intended User:	Arizona Department of Administration
Appraiser's Client:	Arizona Department of Administration
Legal Description:	Lot 24, McDowell Industrial District Unit 2, according to the plat of record in the office of the Maricopa County Recorder, in Book 72 of Maps, Page 46. Tract 23, McDowell Industrial District Unit 2, according to the plat of record in the office of the Maricopa County Recorder, in Book 72 of Maps, Page 46.
Building Area:	22,595 Square feet
Site Area:	53,721 Net square feet/1.23 net acres
Land-to-Building Ratio:	2.378
Assessor's Parcel Numbers:	110-50-023 and 004
Flood Zone:	Flood Zone X, per FEMA FIRM 04013C2130G
Zoning:	A-2, Industrial District, City of Phoenix
Highest and Best Use:	
As if Vacant:	To hold as vacant land for the eventual development of an industrial use
As Improved	Continued use as an industrial property

Date of Inspection: December 14, 2009

**Effective Date
of the Appraisal:** December 14, 2009

Date of Report: January 11, 2009

Market Value, As Is: \$1,200,000

ASSUMPTIONS AND LIMITING CONDITIONS

1. The legal description obtained from a deed recorded in 1993 is assumed to be correct.
2. It is assumed that any easements, encumbrances, encroachments or restrictions affecting the subject property are apparent based on our inspection.
3. The intended use of this appraisal is in asset management decisions. The appraisal should not be used for other purposes without our consent.
4. Title to the property is marketable, free and clear of all liens.
5. The fee simple estate in the property contains the sum of all fractional interests that may exist.
6. The property is appraised as if owned in fee simple title without encumbrances, unless otherwise mentioned in this report.
7. The utilization of land by the improvements is assumed to be within the boundaries or property lines described and no encroachments exist unless otherwise noted in this report. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined and considered in this appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
10. Responsible ownership and competent management exist for the property, unless otherwise stated.
11. The appraisers are not responsible for the accuracy of the opinions furnished by others and contained in this report, nor are they responsible for the reliability of government data used in the report.

12. Compensation for appraisal services is dependent only upon the production of this report and is not contingent upon the values estimated.
13. This report considers nothing of a legal character, is not considered to be a legal document and the appraisers assume no responsibility for matters of a legal nature.
14. Testimony or attendance in court is not required by reason of this appraisal, unless arrangements are previously made.
15. Hidden defects within the materials of the structures, property or subsoils or defects, which are inaccessible to normal inspection, are not the responsibility of the appraisers.
16. Information furnished by the property owner, lender, agent, or management is correct as received.
17. Neither this report, nor any of its contents, may be used for the sale of shares or similar units of ownership in the nature of securities, without specific prior approval of the appraisers. No part of this appraisal may be reproduced without the permission of the appraisers.
18. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or the firm with which the appraisers are connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without prior written consent and approval of the appraisers.
19. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraisers.
20. This report is the confidential and private property of the client and the appraisers. Any person other than the appraisers or the client who obtains and/or uses this report or its contents for any purpose not so authorized by the appraisers or the client is hereby forewarned that all legal means to obtain redress may be employed against him.
21. Utility services are available, as detailed in this report, for the subject property and they will continue to be so in the foreseeable future, unless otherwise noted in this report.
22. Subsurface rights (mineral, oil, etc.) and their potential impact upon value were not considered in this appraisal, unless stated otherwise.

23. The appraisers cannot predict or evaluate the possible effects of future wage price control actions of the government upon rental income or financing of the subject property; hence, it is assumed that no control will apply which would nullify contractual agreements, thereby changing property values.
24. The subject property is not, nor will it be, in violation of the National Environmental Policy Act, the State Environmental or Clean Air Act, or any and all similar government regulations or laws pertaining to the environment.
25. This appraisal assumes that the subject, as vacant or as improved, has no historical or archeological significance. The value estimate is predicated on the assumption that no such condition exists. Should the client have a concern over the subject's status, he or she is urged to retain the services of a qualified independent specialist to determine the extent of either significance, if any, and the cost to study the condition or the benefit or detriment such a condition brings to the property. The cost of the inspection and study must be borne by the client or owner of the property. Should the development of the property be restricted or enhanced in any way, the appraisers reserve the right to modify the opinion of value indicated by the market.
26. Unless otherwise stated in this report, the appraisers did not observe the existence of hazardous materials, which may or may not be present on or below the property. The appraisers have no knowledge of the existence of such materials on or in the property. The appraisers, however, are not qualified to detect such substances as asbestos, PCB transformers, urea-formaldehyde foam insulation, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (containing hazardous materials). The value estimate is predicated on the assumption that there are no such materials on or in the property that would cause a loss in value. No responsibility is assumed for such conditions, or for any expertise or engineering knowledge required to discover them. Thus, the value estimated herein is as if unaffected by any such cause and/or substance. Should the client have concern over the existence of such substances, he or she is urged to retain the services of a qualified independent environmental specialist to determine the extent of contamination, if any, and the cost of treatment or removal. The cost of detection, treatment or removal and permanent storage must be borne by the client or owner of the property. This cost can be deducted from the estimate of market value of the subject property if requested by the client.
27. This appraisal assumes that the subject property complies with the requirements under the *Americans with Disabilities Act (ADA)*. The appraisers are not qualified to detect each and every item of compliance or lack thereof. The value estimate is predicated on the assumption that there is no lack of compliance that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. Should the client have concern over the subject's state of compliance, they are urged to retain the

services of a qualified independent ADA specialist to determine the extent of compliance and the cost to bring the property into compliance, if needed. The cost of the inspection, study and compliance must be borne by the client or owner of the property.

SCOPE OF THE REPORT

The Arizona Department of Administration is the current owner of the subject property. The property is currently occupied by a State of Arizona agency. The agency is relocating to another property. The Arizona Department of Administration plans to sell the property. The intended use of the appraisal is in asset management decisions. This appraisal will be used by the Arizona Department of Administration.

As part of this appraisal, we have made several independent investigations and analyses concerning both the subject property and its market area. We have relied on several different data sources in each section, and documented or referenced those sources as completely as possible. A summary of this information is contained below.

Market Area Analysis

Within this section, we have examined the four forces -- geographic, social, economic, and governmental -- that influence value. Sources that we have used for this analysis are specifically noted within each of these sections, and may include the following:

- Arizona Department of Economic Security
- Arizona Economic Indicators published by the University of Arizona
- Arizona's Economy published by the University of Arizona
- Our inspection of the market area
- City of Phoenix general plan
- CoStar Comps

Site Description and Improvement Description

Within these sections of the report, we have described the subject's site and improvement characteristics, based on our inspection and the following sources:

- City of Phoenix zoning ordinances
- HUD Special Flood Maps from the Federal Emergency Management Agency
- The Maricopa County Assessor's and Treasurer's Departments
- The State of Arizona Department of Environmental Quality
- Building areas calculated from a sketch provided the client;
- Our inspection of the subject property.

Market Area Analysis

Within this section, we have examined supply, demand, absorption and rental rates for the industrial area and sub-market in which the subject property is located, based on data obtained from CoStar.

Valuation Analysis

Within the scope of this report, all three approaches to value have been considered; however, due to the age of the improvements, only the sales comparison and income approaches to value have been used to develop an opinion of the value of the subject property. In the valuation section, information may have been gathered on comparable properties from among the following sources:

- First American Real Estate Information Services;
- CoStar;
- Published property surveys;
- Local, business, and real estate related newspapers and magazines;
- Direct contact with brokers, leasing agents, and property managers and owners;
- Previous appraisal reports by Sell & Associates, Inc.; and
- Our original market research.

Professional Assistance

Blake L. Hardison provided significant professional assistance in preparation of this appraisal. Specifically, he performed the following tasks under the direction of Doug Estes:

- Considered the intended use and user of the report;
- Assisted in the research and analysis of the market area and the subject property;
- Assisted in the research, verification and analysis of the comparable data;
- Assisted in reconciliation of all approaches to value;
- Assisted in development of the final opinion of value; and
- Assisted in composition of the appraisal report.

Property Identification

The subject property is an industrial property with 22,595 square feet of building improvements and 53,721 square feet of site area located at 2422 West Holly Street in Phoenix, Arizona.

Legal Description

Lot 24, McDowell Industrial District Unit 2, according to the plat of record in the office of the Maricopa County Recorder, in Book 72 of Maps, Page 46.

Tract 23, McDowell Industrial District Unit 2, according to the plat of record in the office of the Maricopa County Recorder, in Book 72 of Maps, Page 46.

Assessor's Parcel Number

110-50-023 and 004

Objective of the Appraisal

The objective of this appraisal is to provide an opinion of the market value, as is, of the fee simple interest in the subject property.

Intended Use of the Appraisal

Asset management decisions

Intended User of the Appraisal

Arizona Department of Administration

Appraisers' Client

Arizona Department of Administration

Property Rights Appraised

The fee simple estate in the subject property

Definition of Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate subject only to limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.¹

Definition of Leased Fee Estate

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained with the lease.²

Definition of Market Value

Market value is defined as "the most probable price estimated in terms of cash in United States dollars or comparable market financial arrangements that the property would bring if exposed for sale in the open market, with reasonable time allowed in which to find a purchaser, buying with knowledge of all of the uses and purposes to which it was adapted and for which it was capable."³

Owner and Ownership History

According to public records, the subject property is currently owned by the Arizona Department of Administration, which has owned the property for more than three years prior to the effective date of the appraisal. To our knowledge, the subject property is not currently listed or under contract for sale

Date of Inspection and Effective Date of Appraisal

December 14, 2009

Date of Report

January 11, 2010

Definition of Exposure

The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and

¹ *The Dictionary of Real Estate Appraisal, Fourth Edition*, (Chicago: Appraisal Institute, 2002), page 113.

² *The Dictionary of Real Estate Appraisal, Fourth Edition*, (Chicago: Appraisal Institute, 2002), page 161.

³ *Arizona Revised Statute 12-1122(C)*.

reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions.⁴ Based on other sales in the area, it is our opinion that the subject property could have been sold in one year or less.

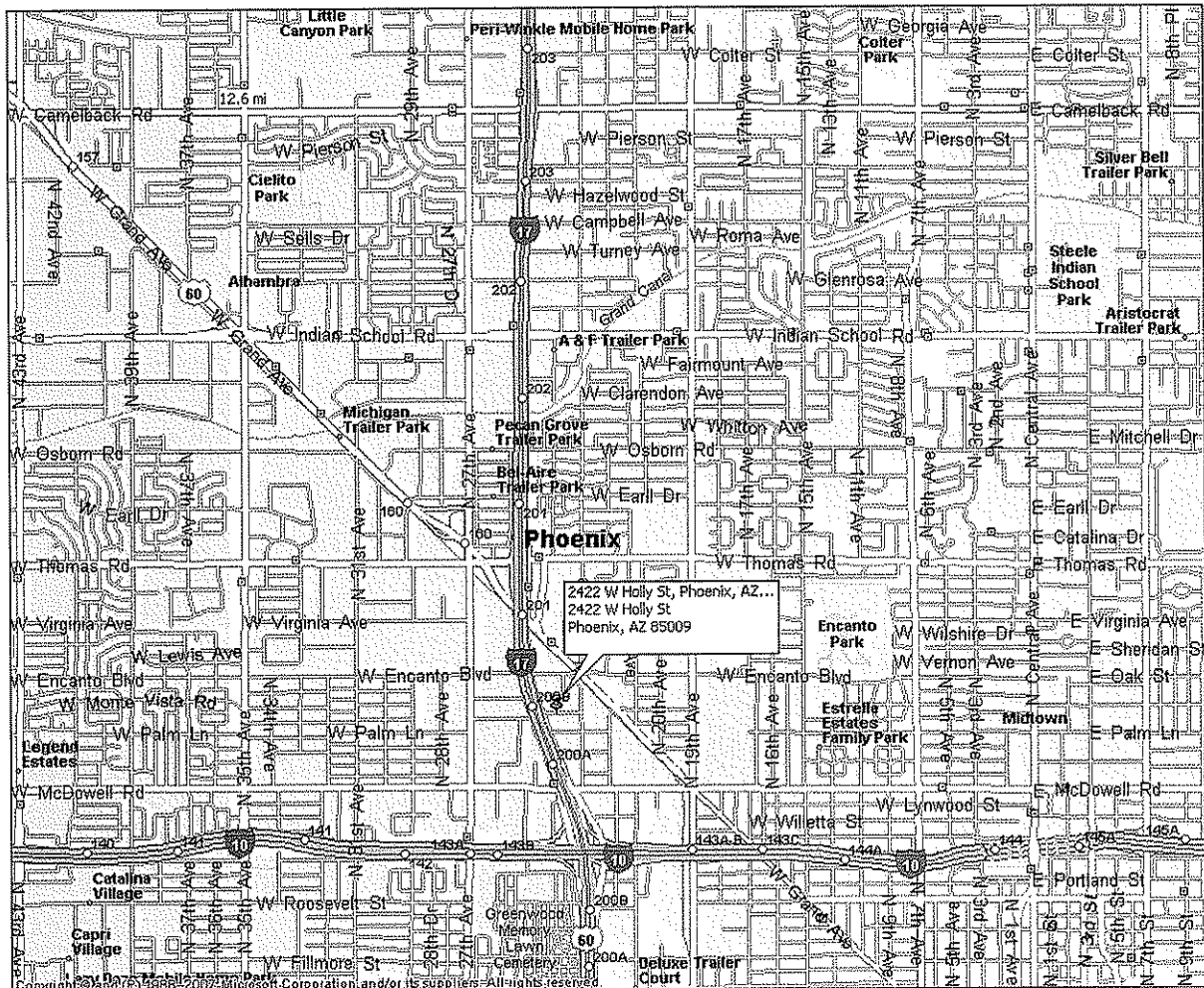
Definition of Marketing Time

The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.⁵ Based on other sales in the area is our opinion that the subject property could be marketed in one year or less.

⁴Appraisal Standards Board of The Appraisal Foundation, *Statement on Appraisals Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions"*

⁵ *The Dictionary of Real Estate Appraisal*, page 176.

MARKET AREA DESCRIPTION AND ANALYSIS



Social, economic, governmental, and environmental forces influence property values in the vicinity of the subject property which, in turn, directly affect the value of the subject property itself. The area of influence is commonly referred to as a surrounding market area.

The subject property is located at the northeast corner of Holly Street and the I-17 frontage Road in Phoenix. For the purpose of this analysis, the subject's local market area is defined as the area within the following boundaries:

Northern Boundary: Camelback Road
Eastern Boundary: 7th Avenue
Southern Boundary: I-10 Freeway
Western Boundary: 35th Avenue

Predominant Uses: The market area includes corridors of industrial development extending along the I-17 Freeway, the I-10 Freeway and along Grand Avenue (US 60). Although most of the local industrial projects are more than 20 years old, there are some newer projects in the northwest portion of the local market area. Extending along the arterial streets, there are also commercial uses, including mostly retail buildings. Residential development is found mostly within the eastern and northern portions of the local market area, primarily in older areas of single-family homes and apartments.

Adjacent Uses: To the east of the subject's market area beyond 7th Avenue, there are various historic residential districts as well as older commercial uses and the North Central Office Corridor. To the west of the subject local market area beyond 35th Avenue, there is more residential development consisting mostly of single-family homes in the Maryvale area, along with some newer industrial buildings to the northwest. To the south of the local market area beyond I-10, there is a major cemetery district, along with older houses, mobile home parks and industrial uses. To the north of the local market area beyond Camelback Road, there are primarily residential and commercial uses, with a warehouse district extending along Grand Avenue.

Transportation: The primary north/south surface arterials extending through the local market area are 27th Avenue, 35th Avenue, 19th Avenue, 7th Avenue and Grand Avenue. Primary east/west arterials are McDowell Road, Thomas Road, Indian School Road and Camelback Road. The market area is connected to the Phoenix freeway system by the Black Canyon Highway (I-17) and the I-10 Freeway which extend through the area. The market area includes rail service from a Burlington Northern/Santa Fe Railroad track extending diagonally to the northwest next to Grand Avenue; however, relatively few local businesses utilize the railroad for shipping.

Employment: There is a substantial amount of employment in the area including various industrial firms within the market area. The market area is also just northwest of the Phoenix Central Business District (CBD), Arizona State Capitol and surrounding state office complex. The Phoenix CBD houses the municipal, county and federal government offices as well as numerous private offices. In general, there is abundant employment in this major industrial corridor which extends along Grand Avenue, the I-10 and I-17 Freeways.

Public Services: The local market area includes 11 public elementary schools, three private elementary schools, three middle schools, two public high schools, Bostrom Alternative School, Phoenix Metro Tech, Phoenix Christian Academy and Phoenix College. It also offers Encanto Park and Golf Course, the Phoenix Coliseum and the State Fairgrounds. Just east of the market area is the St. Joseph's Hospital campus and two miles west of the local market area is the Maryvale Hospital medical complex.

Trends: A large proportion of the land within the subject's market area has been developed. The demand for most property types is somewhat slack at the present

time due to overproduction and adverse lending conditions nationwide. Recognizing the built-out nature of the area, there is relatively little vacant land remaining within the subject's market area.

Due to the fact that the subject property is an industrial property, we have considered the trends in the industrial market over the last three years. According to CoStar, the subject property is located in the West Phoenix Industrial submarket and just north of the Southwest Phoenix Industrial Submarket. Combined, these submarkets include a portion of the market area as defined in this report. The trends in vacancy, absorption and rental rates for these submarkets are shown in the following table:

Historic Summary of Market Conditions									
SW Phoenix Industrial Submarket (North of Buckeye Rd) and West Phoenix Industrial Submarket (South of Thomas Rd)									
Quarter	Existing Inventory		Vacancy Data		Absorption		NNN Rent		
	# Bldgs	RBA	Vac./Avail.	Percent	Net	Gross	Direct	Sublet	Total
QTD	952	37,342,396	5,434,138	14.6%	-334,445	488,811	\$4.17	\$4.04	\$4.16
2009 3Q	951	37,338,242	4,993,929	13.4%	-281,929	557,526	\$4.45	\$4.63	\$4.46
2009 2Q	951	37,338,242	4,826,683	12.9%	-332,423	448,971	\$4.69	\$4.70	\$4.70
2009 1Q	951	37,338,242	4,473,201	12.0%	-1,020,225	378,964	\$4.69	\$4.71	\$4.69
2008 4Q	951	37,338,242	3,463,261	9.3%	-130,491	291,407	\$4.99	\$5.72	\$5.04
2008 3Q	951	37,352,003	3,367,251	9.0%	-215,852	469,342	\$4.91	\$5.72	\$4.97
2008 2Q	950	37,315,147	3,199,162	8.6%	418,012	1,051,724	\$5.15	\$6.06	\$5.20
2008 1Q	949	37,281,329	3,275,090	8.8%	-312,127	263,373	\$5.16	\$4.49	\$5.10
2007 4Q	948	37,104,789	2,760,280	7.4%	-148,175	571,672	\$5.29	\$4.61	\$5.22
2007 3Q	948	37,104,789	2,693,804	7.3%	255,169	916,281	\$5.30	\$4.49	\$5.24
2007 2Q	946	37,018,296	2,813,562	7.6%	49,737	601,352	\$5.10	\$4.32	\$5.07
2007 1Q	944	36,940,168	2,680,949	7.3%	-206,535	563,863	\$4.92	\$5.13	\$4.93
					-2,259,284				

Source: Costar December 2009

This table indicates that the vacancy rate has increased from a low of 7.3% in the first and third quarters of 2007 to a high of 14.6% in the fourth quarter of 2009, absorption has been negative in 9 of the last 12 quarters and rental rates have experienced a general downward trend.

Conclusion: The subject's local market area is an urban industrial/business district extending through west Phoenix along Grand Avenue and the I-10 and I-17 Freeways. It includes a moderate amount of residential development and limited commercial uses, and includes a large number of industrial warehouses and offices. The subject is located along the I-17 frontage road, approximately one-third mile north of the I-10 freeway, giving it good access to and from freeway traffic in all directions. The market area is less affluent than outlying suburban areas. Although the near-term outlook for the market area is weak due to the current economic and market conditions, in common with other parts of the Phoenix area, the long-term outlook for the subject market area appears good.

SITE DESCRIPTION

The subject site is a 53,721 square foot parcel located at 2422 West Holly Street in Phoenix, Arizona. The subject site is further described as follows:

Area:	53,721 Net square feet per public records	
Shape/Dimensions:	Irregular	
Topography:	Generally level and at grade with surrounding parcels	
Soil:	Based on our inspection of the subject property and observation of adjacent properties, the soil appears adequate to support the existing improvements.	
Drainage:	No adverse conditions noted; drainage is assumed adequate to protect the improvements.	
Lot Type:	Corner	
Frontage:	Approximately 275 feet along the south side of Holly Street and approximately 165 feet along the east side of the Black Canyon Freeway Frontage Road	
Traffic Flow:	Not available	
Street Improvements:	<u>Holly Street</u>	<u>Frontage Road</u>
Traffic Lanes	Two (1 east/1 west)	Two (1 north/1 south)
Median	None	None
Surface	Asphalt pavement	Asphalt pavement
Curbs	Concrete	Concrete
Sidewalks	Concrete	None
Streetlights	Yes	Yes
Flood Zone:	Flood Zone "X", as designated by FEMA Flood Insurance and Rate Index Map; Panel No. 04013C2130G, dated September 30, 2005. "	
	Flood Zone X is identified as an area that is determined to be outside the 100-and 500-year floodplains.	
Zoning:	A-2, Industrial District, City of Phoenix	

**General Plan
Land Use:**

According to the City of Phoenix General Plan land use map, the subject property is located in an area targeted for industrial uses.

**Likelihood of a
Zoning Change:**

Based on the wide range of permitted uses in the subject's current A-2 zoning classification, it is our opinion that a zoning change for the subject property is unlikely.

**Easements and/or
Restrictions:**

We were not provided a title report for the subject property; therefore, we are not aware of any atypical easements or restrictions. Based on our inspection, the subject property does not appear to be affected by any atypical easements or restrictions.

Utilities:

Electric	Arizona Public Service
Gas	Southwest Gas in area
Water	City of Phoenix
Sanitary Sewer	City of Phoenix

Adjacent Land Uses:

North	An industrial use
East	An industrial use
South	An Industrial use
West	Frontage Road and Black Canyon Freeway (Interstate 17)

Compatibility: The subject site is compatible with the industrial land use patterns in the area.

**Apparent Adverse
Factors:**

None apparent during our inspection

**Site Utility, Accessibility,
Functional Adequacy:**

The utility, accessibility and functional adequacy of the site are typical for potential uses.

**Non-apparent Adverse
Factors:**

We refer the reader to the Underlying Assumptions and Limiting Conditions. We repeat that we are not qualified to determine the presence of hazardous substances as they affect the site. These would include, but not be limited to,

toxic chemicals, radon gas, methane, etc. Unless otherwise stated, the site is assumed to be unaffected by these substances.

Assessor's Parcel

Numbers: 110-50-023 and 004

Full Cash Values

And Real Estate Taxes: The subject's most recent full cash values and taxes are summarized in the following table.

Subject Real Estate Taxes and Full Cash Values				
Parcel 110-50-023				
Description	2006	2007	2008	2009
Real Estate Taxes	\$0.00	\$0.00	\$0.00	\$0.00
Total FCV	\$681,830.00	\$744,537.00	\$15,717.00	\$939,737.00
Limited FCV	\$681,831.00	\$744,537.00	\$815,717.00	\$897,289.00

Subject Real Estate Taxes and Full Cash Values				
Parcel 110-50-004				
Description	2006	2007	2008	2009
Real Estate Taxes	\$0.00	\$0.00	\$0.00	\$0.00
Total FCV	\$62,000.00	\$65,000.00	\$71,500.00	\$87,000.00
Limited FCV	\$42,269.00	\$65,000.00	\$53,838.00	\$62,129.00

Back Taxes and

Penalties:

According to the Maricopa County Treasurer's Office, no delinquent prior year taxes exist.

Special Assessments: None identified

Plat Map



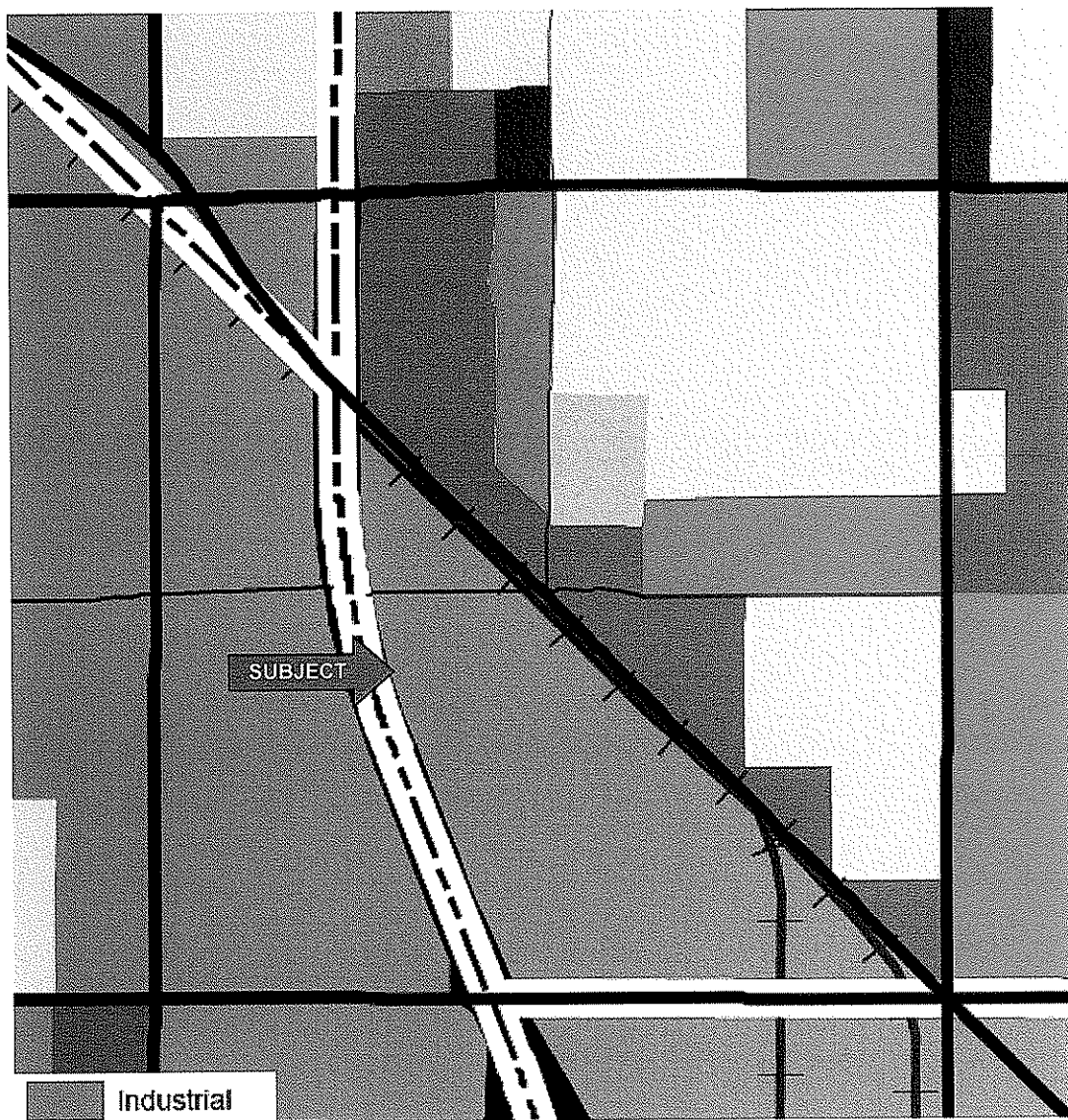
Aerial Photograph



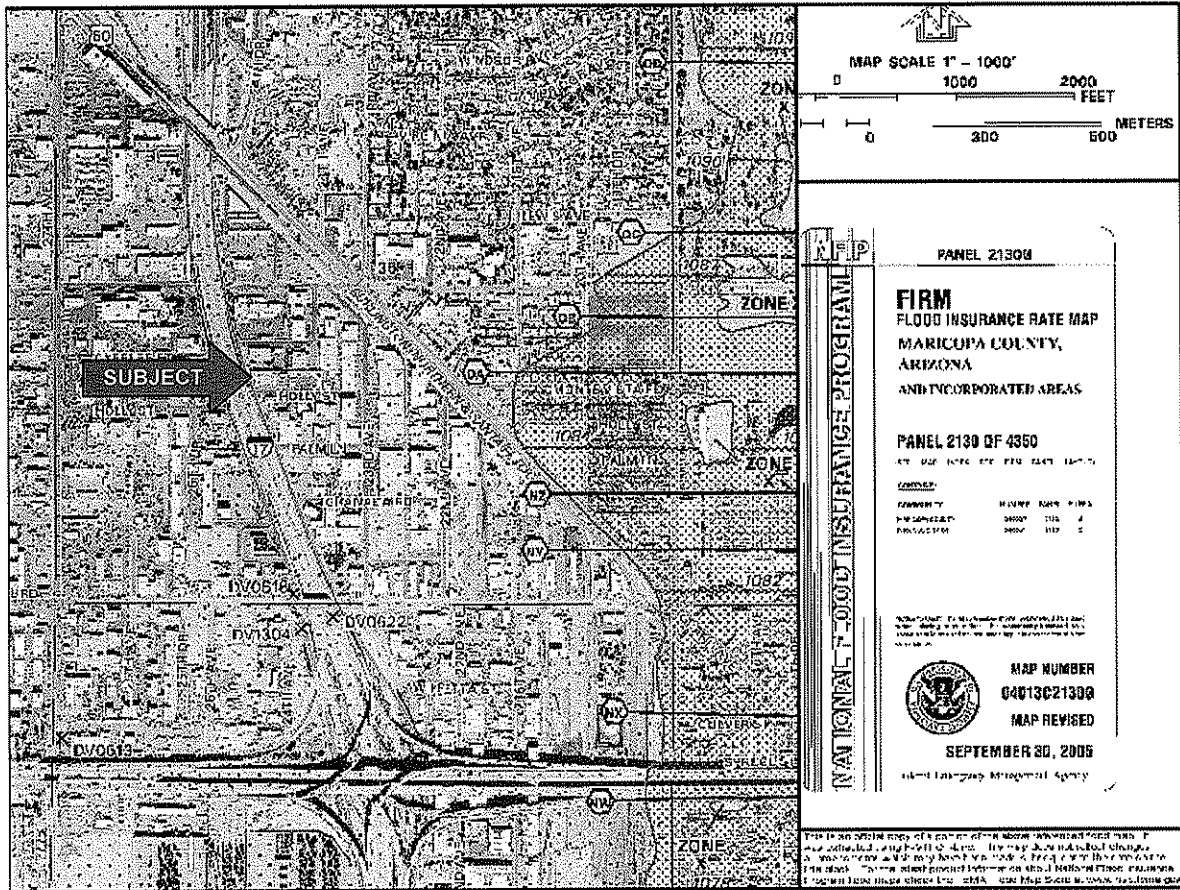
Zoning Map



General Plan Land Use Map



Flood Plain Map



IMPROVEMENT DESCRIPTION

The subject's property is improved with a 22,595 square foot building and site improvements. The subject improvements are described as follows:

Building Improvements

Building Area: 22,595 Square feet

Land-to-building Ratio: 2.378:1

Foundations and Floors: Concrete slab over ABC fill with continuous concrete footings (assumed).

Building Type: Concrete block structure

Construction Year: The building was constructed in 1967 and has been well maintained. The improvements are in average condition for their age.

Chronological Age: Approximately 42 years

Exterior Walls: Concrete block

Roof System: Not visible (assumed typical)

Layout: The building is located on the northwest side of the lot with parking on the south and east sides. The entire interior of the building is built-out with office and lab space. The public entrance to the building is located at the southwest corner of the building. The steel awning is constructed on the east side of the building. The entire property is surrounded by a chain-link fence.

Warehouse Clear Height: 10 - 12 Feet

Fire Protection: Fire sprinklers installed and fire alarm system

Security System: The property is equipped with a security system

**Heating, Cooling,
Air-Conditioning and
Ventilation:**

The entire building is heated and cooled by a chilled/hot water system.

Interior Finish:

The interior is finished with a combination of taped, texture and painted drywall and painted block. Floors are a combination of commercial grade carpet and asphalt tile. Ceilings are suspended acoustical and taped, textured and painted drywall. Lighting is mostly a combination of recessed and surface-mounted florescent.

Restrooms:

The building is equipped with four restrooms with apparently adequate fixtures for existing and potential uses.

Electrical:

Apparently adequate

Insulation:

Insulation was not visible and is assumed adequate.

Doors:

The front entrance to the office area is a glass door in aluminum frame. Other exterior doors are metal doors in metal frames. Interior doors are mostly wood doors in wood frames.

Windows:

The building has minimal windows. The only apparent windows are at the front of the building.

Fence:

Portions of the site area are surrounded by a chain-link fence.

**Other Features/
Equipment:**

The building is equipped with specialized features for use by the current tenant. These features include special air filters for air purification, specialized piping and conduits throughout the building and a walk-in safe. Other equipment that is not included in this appraisal includes a walk-in freezer, a distilled water system, mobile offices and storage sheds located to the east of the building.

Condition and Quality:

The improvements are of typical quality and average condition for their age.

Deferred maintenance:

The improvements were in generally average condition for their age. Based on our inspection, repairs have been

completed as needed. According to the owner's representative, the roof has some leaks.

**Non-apparent Adverse
Conditions:**

We again refer the reader to the Underlying Assumptions and Contingent Conditions. We are not qualified to determine the presence of hazardous conditions within the structure(s) described. This would include, but would not be limited to, urea formaldehyde, asbestos, toxic chemicals of all kinds, dangerous electromagnetic fields, etc. Unless otherwise stated, the structure is assumed unaffected.

Comments:

The interior of the property is currently 100% built-out with office and lab space. The property also includes specialized equipment for use by the current occupant. These improvements are considered superadequate features for comparable industrial properties. Although some of these improvements may be of use to some potential users, they will not be of use to the typical users. In fact, many users will remove some or all of these improvements to configure the property for their use. Thus, it is our opinion that these superadequate improvements do not contribute value to the property.

Introduction

The market analysis component of an appraisal must specifically relate market conditions to the property under investigation.

Phoenix Area Industrial Market Overview

In completing this Market Analysis, we have relied on information obtained from CoStar, telephone interviews with real estate agents active within the industrial sales and leasing segment and our inspection of the subject neighborhood. The subject property is located within the Phoenix Industrial submarket.

The strategic location of the Phoenix metropolitan area and its expanding transportation systems has made it an ideal choice for businesses locating regional distribution centers within the southwestern region of the United States. Phoenix is the first major population center east of the greater Los Angeles area. Separated by only 500 miles, Los Angeles and Phoenix are just an overnight truck drive or one-hour plane ride from each other.

As a result of these locational attributes, Phoenix provides an inexpensive alternative to Los Angeles for businesses needing frequent access to the rapidly growing southern California market. Affordable housing, lower land and operating costs, a diversified economic base and affordable transportation costs favorably impact the local industrial market.

Supply and Demand for Industrial Space

The following table summarizes the supply of and demand for industrial space in the Southwest Phoenix Submarket (north of Buckeye Road) and the West Phoenix Submarket (South of Thomas Road) as reported by Costar (as of December 2009):

Historic Summary of Market Conditions									
SW Phoenix Industrial Submarket (North of Buckeye Rd) and West Phoenix Industrial Submarket (South of Thomas Rd)									
Quarter	Existing Inventory		Vacancy Data		Absorption		NNN Rent		
	# Bldgs	RBA	Vac./Avail.	Percent	Net	Gross	Direct	Sublet	Total
QTD	952	37,342,396	5,434,138	14.6%	-334,445	488,811	\$4.17	\$4.04	\$4.16
2009 3Q	951	37,338,242	4,993,929	13.4%	-281,929	557,526	\$4.45	\$4.63	\$4.46
2009 2Q	951	37,338,242	4,826,683	12.9%	-332,423	448,971	\$4.69	\$4.70	\$4.70
2009 1Q	951	37,338,242	4,473,201	12.0%	-1,020,225	378,964	\$4.69	\$4.71	\$4.69
2008 4Q	951	37,338,242	3,463,261	9.3%	-130,491	291,407	\$4.99	\$5.72	\$5.04
2008 3Q	951	37,352,003	3,367,251	9.0%	-215,852	469,342	\$4.91	\$5.72	\$4.97
2008 2Q	950	37,315,147	3,199,162	8.6%	418,012	1,051,724	\$5.15	\$6.06	\$5.20
2008 1Q	949	37,281,329	3,275,090	8.8%	-312,127	263,373	\$5.16	\$4.49	\$5.10
2007 4Q	948	37,104,789	2,760,280	7.4%	-148,175	571,672	\$5.29	\$4.61	\$5.22
2007 3Q	948	37,104,789	2,693,804	7.3%	255,169	916,281	\$5.30	\$4.49	\$5.24
2007 2Q	946	37,018,296	2,813,562	7.6%	49,737	601,352	\$5.10	\$4.32	\$5.07
2007 1Q	944	36,940,168	2,680,949	7.3%	-206,535	563,863	\$4.92	\$5.13	\$4.93
					-2,259,284				

Source: Costar December 2009

As shown in the tables above, the submarkets have 952 total buildings with a total of 37,342,396 square feet of space, of which four buildings and approximately 237,607 square feet of space have been added in the last two years. Moreover, in the last three years (counting the current quarter), these submarkets had negative net absorption of 2,259,284 square feet and negative net absorption in 9 of the 12 quarters. As a result of the increase in supply and the decrease in demand, there has been significant downward pressure on rental rates and sale prices and both have declined.

Conclusion

Based on the industrial nature of the submarket and its proximity to major transportation routes, it is anticipated that the area will remain a desirable industrial area. Nonetheless, in the near term, with the slow economy and with the current industrial market conditions, there will be continued downward pressure on rental rates and property values. Furthermore, based on conversations with brokers active in the subject market area, it is our opinion that the subject property could be marketed for sale or leased within a twelve month period. The current buyers in the market for this type of property are owner-users. Recognizing the current market conditions, investors have not been willing to pay the asking prices for most properties.

HIGHEST AND BEST USE ANALYSIS

According to the Appraisal Institute, highest and best use is defined as "the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability."⁶

Based on the data presented in the preceding sections, we have analyzed the highest and best use of the subject property both as if vacant and as improved. The following section presents this analysis.

As if Vacant

Highest and best use of land as if vacant is defined as follows: "Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements."⁷

Legally Permissible Uses

Legal considerations for the use of a vacant site include zoning, building codes, private restrictions (such as deed restrictions) and the probability of zoning changes.

Zoning: According to the City of Phoenix, the subject site is currently zoned A-2, Industrial District. The A-2 zoning classification permits a variety of industrial and commercial uses. We refer the reader to the zoning descriptions included in the Addenda of this report for a complete listing of permitted uses and building standards.

According to the City of Phoenix General Plan land use map, the subject property is located in an area targeted for Industrial uses.

Building Codes: The building codes in the City of Phoenix will generally allow for development of all of the uses allowed in the commercial zoning districts; therefore, the building codes place no additional limitations on the potential uses of the subject site, other than to ensure that the construction of the improvements is adequate for the intended use.

⁶ *The Dictionary of Real Estate Appraisal, Fourth Edition, page 135.*

⁷ *The Dictionary of Real Estate Appraisal, Fourth Edition, page 135.*

Private Restrictions: Based on our research of the subject site, no private restrictions limiting use of the subject site were identified.

Probability of Zoning Changes: Based on the wide range of permitted uses in the subject's current A-2 zoning classification, it is our opinion that a zoning change for the subject property is unlikely.

Therefore, the most likely legally permissible uses of the subject site, as if vacant, include a variety of commercial or industrial uses, subject to the development standards of the A-2 zoning classification.

Physically Possible Uses

The legally permissible uses of the subject site include a variety of commercial and industrial uses. The physical characteristics of the site also place limitations on its potential uses.

The subject site is an irregular-shaped parcel with approximately 53,721 square feet of site area. The site is generally level and at grade with surrounding properties. All necessary utilities for development are extended to the site. The site has adequate access from Holly Street and the I-17 frontage road. The site also has good access to and from nearby freeways.

Given these physical characteristics, the subject site is physically suitable for many of the legally permissible uses which can be accommodated on the 53,721 square foot site. Recognizing the surrounding industrial uses, it is our opinion that the subject property would most likely be developed with an industrial use. Therefore, the most likely legally permissible use of the site, as if vacant, is for development of an industrial use.

Financially Feasible Uses

The most likely legally permissible and physically possible land use of the site, as if vacant, is for development of an industrial use. As discussed in the market analysis section of this report, the market has slowed significantly. There is a larger supply of industrial space in the area than there is demand. Considering these market conditions and the slow down in the economy, development of the site is not financially feasible at this time and will not be financially feasible until the existing developed industrial space is leased. Therefore, the most likely financially feasible use of the subject site is to hold as vacant land until development of an industrial use becomes financially feasible.

Maximally Productive and Highest and Best Use

Of the financially feasible uses, the use that produces the highest residual land value consistent with the rate of return warranted by the market for that use is the highest

and best use. The most likely financially feasible use of the subject site is to hold as vacant land until development of an industrial use becomes financially feasible. It is our opinion that no other use would provide a greater return to the site. Therefore, it is our opinion that the maximally productive and highest and best use of the subject site, as if vacant, is to hold as vacant land until development of an industrial use becomes financially feasible.

As Improved

As stated in the improvement sections of this report, the subject is improved with 22,595 square feet of building improvements and site improvements. Based on their current use, continued use of the improvements is legally permissible, physically possible (although they would not be duplicated today) and financially feasible. The value of the property, as improved, exceeds the value of the property, as if vacant. We recognize that the building is built-out with a superadequate interior and specialized equipment for use by the current occupant. These superadequate improvements are not suitable for the typical user. Therefore, although there may be some users that can utilize these improvements, most will remove all or a portion of the existing interior build-out to allow for reconfiguration of the interior for their use. Other than removal of a portion of the interior improvements and curing any items of deferred maintenance, it is our opinion that the improvements do not require any significant alterations. Therefore, it is our opinion that the maximally productive and highest and best use of the subject property, as improved, is for continued use as an industrial building, recognizing the possibility of removing a portion of the interior improvements.

Typically, real estate can be valued by applying three approaches, i.e., the Cost Approach, the Sales Comparison Approach, and the Income Capitalization Approach. Each of these approaches are defined and discussed as follows:

Cost Approach

The cost approach is defined as "a set of procedures through which a value indication is derived for the leased fee interest in a property by estimating the current cost to construct a reproduction of, or replacement for, the existing structure; deducting accrued depreciation from the reproduction or replacement cost; and adding the estimated land value plus an entrepreneurial profit. Adjustments may then be made to the indicated leased fee value of the subject property to reflect the value of the property interest being appraised."⁸

This approach in appraisal analysis is based on the proposition that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property. It is particularly applicable when the property being appraised involves relatively new improvements that represent the highest and best use of the land or when relatively unique or specialized improvements are located on the site and for which there exist no comparable properties on the market. This is sometimes referred to as Value in Use or the value of a particular property for a specific use, i.e., Special Purpose Value.

Sales Comparison Approach

The sales comparison approach is defined as "a set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have sold recently, then applying appropriate units of comparison, and making adjustments to the sales prices of the comparables based upon the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when comparable sales data are available."⁹

Traditionally, this is an appraisal procedure in which the market value estimate is predicated upon prices paid in actual market transactions and prices asked in current listings. It is a process of analyzing sales of similar recently sold properties in order to derive an indication of the most probable sales price of the property being appraised. The reliability of this technique is dependent upon (a) the availability of comparable

⁸ *The Dictionary of Real Estate Appraisal, Fourth Edition, page 67.*

⁹ *The Dictionary of Real Estate Appraisal, Fourth Edition, page 255.*

sales data; (b) the verification of the sales data; (c) the degree of comparability or extent of adjustment necessary for time differences; and (d) the absence of non-typical conditions affecting the sales price. It is sometimes referred to as Value in Exchange or the value, in terms of money, of real estate in a typical market.

Income Capitalization Approach

The income capitalization approach is defined as "a set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and reversion can be discounted at a specified yield rate."¹⁰

Discounted Cash Flow Analysis is defined as the procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate.¹¹

In the **Reconciliation and Final Value Estimate** section of the report, the valuation approaches are evaluated as to their pertinence and reliability to the appraisal problem. This analysis results in a final value estimate at a stabilized occupancy at market rents.

In this appraisal, all three approaches to value have been considered; however, due to the age of the improvements and current market conditions, the cost approach is not applicable. Therefore, only the sales comparison and income approaches to value have been used to estimate the value of the subject property.

¹⁰ *The Dictionary of Real Estate Appraisal, Fourth Edition*, page 143.

¹¹ *The Dictionary of Real Estate Appraisal, Fourth Edition*, page 84.

SALES COMPARISON APPROACH TO VALUE

The sales comparison approach produces an estimate of value for real estate by comparing recent sales or listings of similar properties in the surrounding or competing area to the subject property. By analyzing sales that qualify as arms-length transactions between willing, knowledgeable buyers and sellers with reasonable market exposure, price trends can be identified from which value parameters may be extracted. Comparability in physical, locational and economic characteristics is an important criterion in evaluating the sales in relation to the subject property. The basic steps involved in the application of this approach are as follows:

1. Researching recent relevant property sales and current offerings throughout the competitive area.
2. Selecting properties considered most similar to the subject, and then analyzing the selected comparable properties, giving consideration to the time of sale and any change in economic conditions, which may have occurred up to the date of value. Other relevant factors of a physical, functional, or locational nature are also considered.
3. Reducing the sales price to common units of comparison (i.e., gross or net income multiplier, price per square foot of building area, etc.).
4. Using a combination of quantitative and/or qualitative comparative techniques to analyze and compare the comparable sales with the subject property.
5. Interpreting the resulting comparative data and drawing a valid conclusion.

The specific unit of comparison used in this instance is the sales price per square foot of rentable building area, calculated by dividing the sales or offering price by the rentable building area in square feet.

Typically, comparable sales are analyzed using a combination of quantitative and/or qualitative comparative techniques. In applying quantitative adjustment techniques, mathematical processes are used to identify those items of comparison that require adjustment and to measure the amount, if any, of the indicated adjustment(s). Analytical techniques commonly utilized to measure quantitative adjustments include paired data set analysis, statistical analysis, graphic analysis, trend analysis, cost-related analysis and secondary data analysis. However, although these techniques are theoretically sound, their use is somewhat limited because of the imperfect nature of the real estate market and the lack of sufficient market data to quantify adjustments.

Therefore, in this analysis in those instances where an adjustment could not reasonably be quantified, a qualitative technique was used instead; or more specifically a relative comparison analysis. In relative comparison analysis, the applicable elements of comparison for each comparable sale are analyzed to determine if a comparable sale is inferior, superior or equal to the subject property based on the individual element of comparison. After all of the applicable elements of comparison are analyzed, a net relative value indication of each comparable sale is determined. Based on this relative value indication, the comparable sales are then reconciled into a value indication by arraying them relative to the subject property.

In this valuation analysis, the adjustment categories for which quantifiable adjustments could reasonably be made will be analyzed first. The analysis of quantifiable adjustments will then be followed by a relative comparison analysis of the remaining elements of comparison.

Those adjustment categories for which market derived information is considered to be able to support quantifiable adjustments include such factors as:

- Real Property Rights Conveyed
- Financing Terms
- Conditions of Sale
- Market Conditions (Date of Sale)

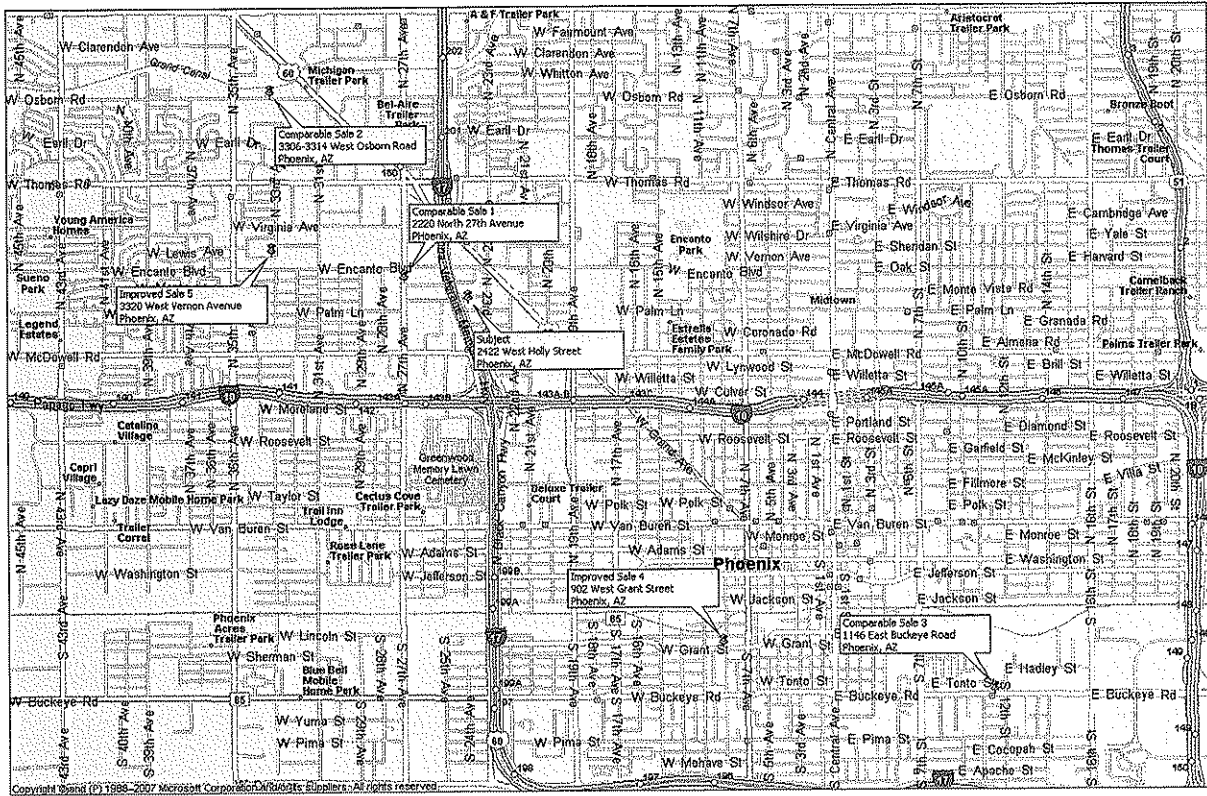
Those adjustment categories for which available market information is more appropriately considered to support a relative comparison analysis include the following:

- Location
- Physical Characteristics
- Economic Characteristics
- Non-Realty Components of Value

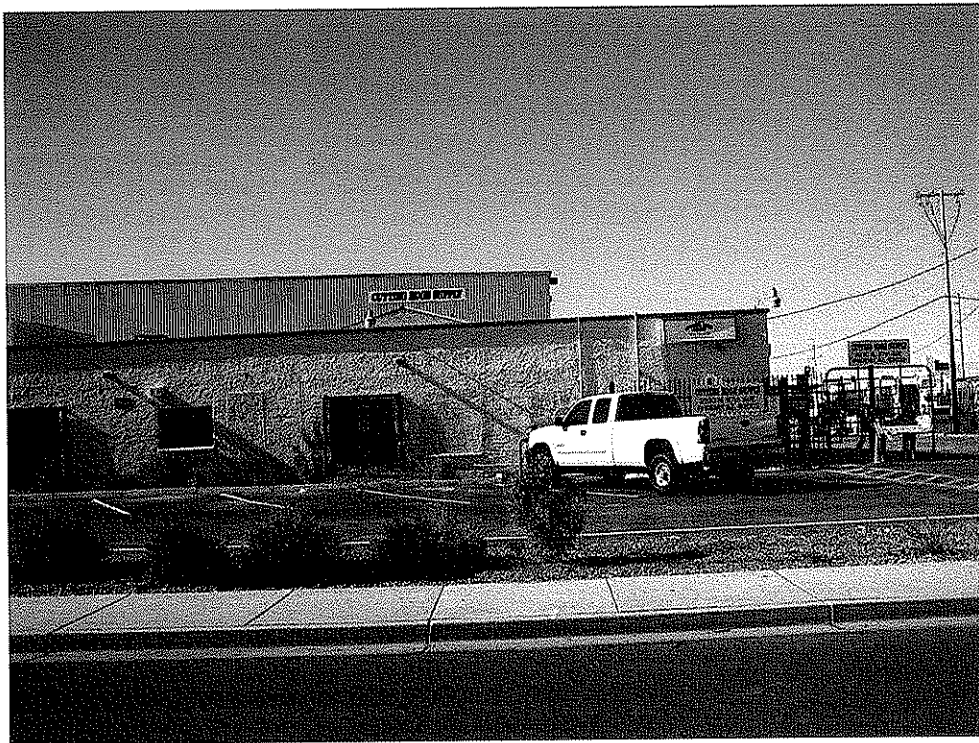
Description and Adjustment of Comparable Improved Sales

In our research, we identified five comparable improved sales. The comparables all sold within the last 15 months. A description of the comparable sales and the appropriate qualitative adjustments used to estimate the value of the subject property are summarized on the following pages. Following the summary and adjustment grid is the reconciliation of the comparables to provide a value indication for the subject site.

Improved Sales Map



Improved Comparable One



Property Identification

Property Type: Industrial building
Location: 2220 North 27th Avenue, Phoenix, Arizona
Tax Parcel Number: 108-15-006

Sale Data:

Sale Price: \$1,100,000
Terms: All cash to seller
Unit Value: \$60.96 Per square foot of building area
Date of Recordation: October 23, 2008
Marketing Time: Less than one year
Grantor/Seller: Christel M. Locascio
Grantee/Buyer: FHJ General Partnership
Instrument: Warranty deed
Instrument Number: 08-0914617
Conditions of Sale: Purchase by tenant
Confirmation: CoStar, inspection, and public records

Site Data:

Shape/Dimensions: Rectangular
Site Area: 97,348 Square feet
Frontage: Adequate along 27th Avenue and 28th Avenue
Access: Good from 27th Avenue and 28th Avenue
Zoning/Restrictions: A-1, Light Industrial District, City of Phoenix

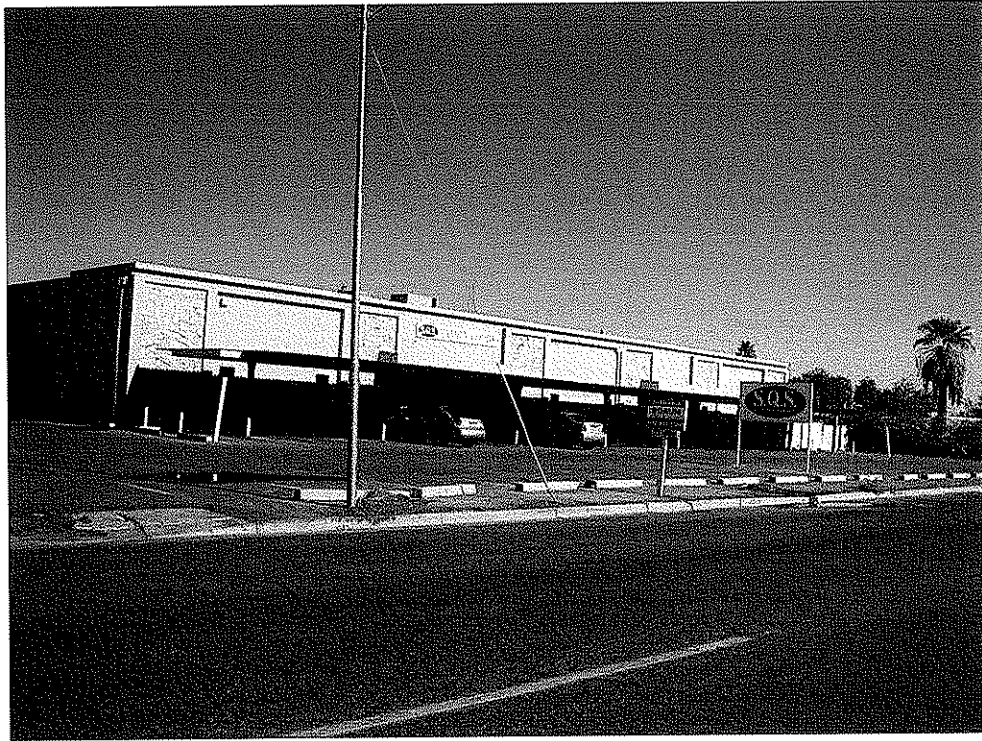
Improvement Data:

Building Area: 18,046 Net square feet
Land-to-Building Ratio: 5.394:1
Year Built/Age: 1954/54 Years
Parking Spaces: Seven surface spaces are available at the front of the building; additional parking available in the yard area.
Construction Type: Block and metal
Clear Height: Approximately 13 to 17 foot clear height
Office Build-out: Typical
Warehouse Cooling: Evaporative cooling
Electrical Service: Not available
Improvement Condition: Average

Income Data: This property was acquired by the tenant for occupancy by the buyer. No other income data was available.

Additional Comments: None

Improved Comparable Two



Property Identification

Property Type: Industrial building
Location: 3306-3314 West Osborn Road, Phoenix, Arizona
Tax Parcel Number: 108-02-062A

Sale Data:

Sale Price: \$1,008,000
Terms: All cash to the seller
Unit Value: \$56.00 Per square foot of building area
Date of Recordation: September 15, 2009
Marketing Time: Less than one year
Grantor/Seller: Select Properties, LLC
Grantee/Buyer: GML Enterprises, LLC
Instrument: Warranty Deed
Instrument Number: 09-0853801
Conditions of Sale: Typical
Confirmation: CoStar, public records, broker and inspection

Site Data:

Shape/Dimensions: Irregular
Area: 48,103 Square feet
Frontage: Adequate along Osborn Road
Access: Good from Osborn Road
Zoning/Restrictions: A-2, Industrial District, City of Phoenix

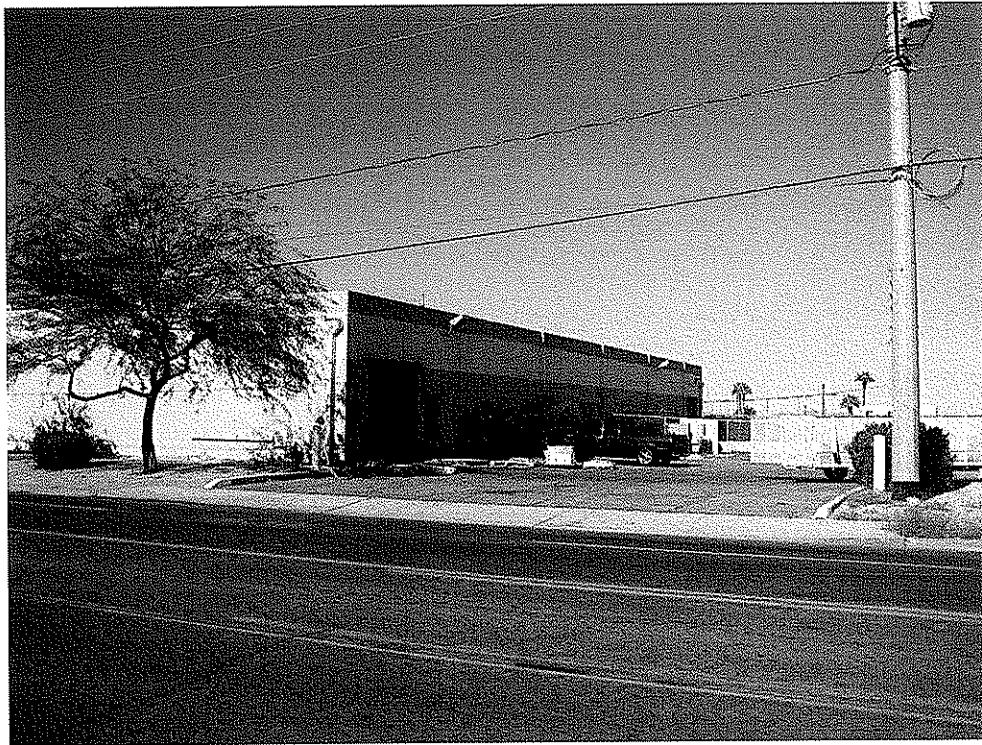
Improvement Data:

Building Area: 18,000 Net square feet
Land-to-Building Ratio: 2.672:1
Year Built/Age: 1967 / 42 Years
Parking Spaces: 50
Construction Type: Reinforced concrete
Clear Height: Approximately 14 to 16 feet
Office Build-out: 5,000 Square feet (27.8%)
Warehouse Cooling: Evaporative cooling
Electrical Service: 600a/240v

Income Data: This property was vacated by the seller and acquired for partial occupancy by the buyer.

Additional Comments: The buyer plans to occupy two-thirds of the building and lease the remaining one-third.

Improved Comparable Three



Property Identification

Property Type: Industrial building
Location: 1146 East Buckeye Road, Phoenix, Arizona
Tax Parcel Number: 116-38-106B

Sale Data:

Sale Price: \$950,000
Terms: All cash to the seller
Unit Value: \$61.69 Per square foot of building area
Date of Recordation: September 30, 2009
Marketing Time: Less than one year
Grantor/Seller: Sierra Scientific
Grantee/Buyer: RFK Investments
Instrument: Special Warranty Deed
Instrument Number: 09-0907435
Conditions of Sale: Lease option
Confirmation: CoStar, public records, broker and inspection

Site Data:

Shape/Dimensions:	Nearly rectangular
Area:	29,534 Square feet
Frontage:	Adequate along Buckeye Road and 12 th Street
Access:	Good from Buckeye Road and 12 th Street
Zoning/Restrictions:	C-3, General Commercial District, City of Phoenix

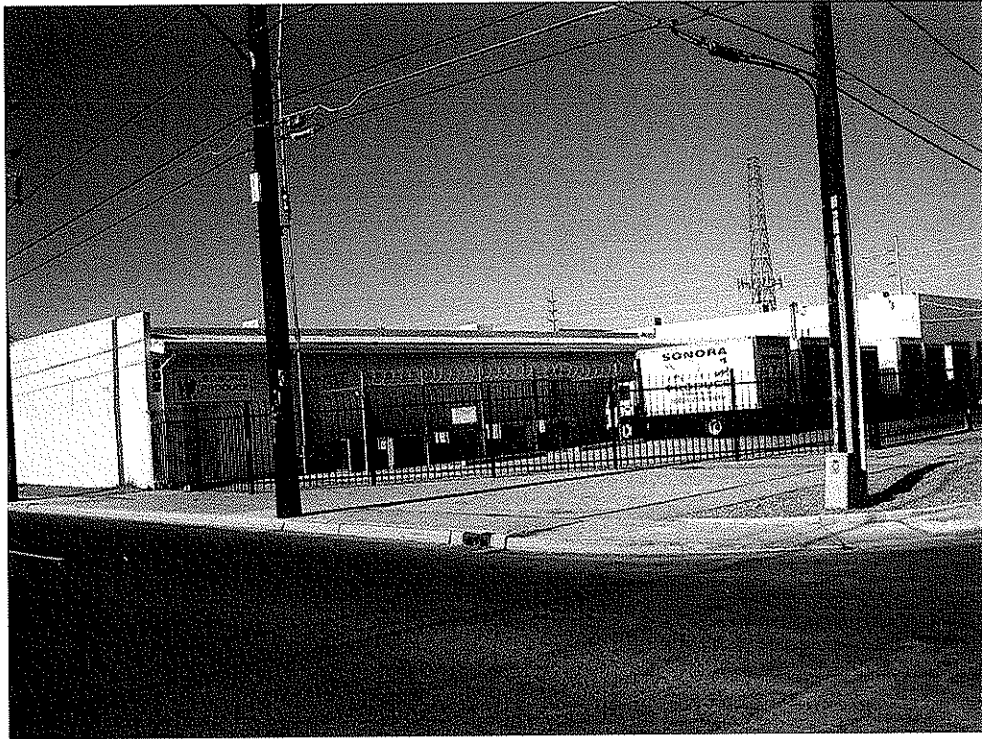
Improvement Data:

Building Area:	15,400 Net square feet
Land-to-Building Ratio:	1.918:1
Year Built/Age:	1986 / 23 Years
Parking Spaces:	26 Surface spaces are available
Construction Type:	Concrete block
Clear Height:	Approximately 12 feet
Office Build-out:	2,600 Square feet (16.9%)
Warehouse Cooling:	Evaporative cooled
Electrical Service:	400a/230v

Income Data:	This property was occupied by the buyer on a lease/option agreement that was executed in December 2008.
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Additional Comments:	The buyer plans to use the property for a stainless steel manufacturing company.
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Improved Comparable Four



Property Identification

Property Type: Industrial building
Location: 902 West Grant Street, Phoenix, Arizona
Tax Parcel Numbers: 112-14-156

Sale Data:

Sale Price: \$650,000
Terms: All cash to seller
Unit Value: \$51.10 Per square foot of building area
Date of Recordation: October 2, 2009
Marketing Time: Less than one year
Grantor/Seller: R S H Enterprise, Inc
Grantee/Buyer: Martin F. Matrecito-Gaxiola
Instrument: Special Warranty deed
Instrument Number: 09-0916668
Conditions of Sale: Typical
Confirmation: CoStar, public records, broker and inspection

Site Data:

Shape/Dimensions:	Rectangular
Area:	22,041 Square feet
Frontage:	Adequate along Grant Street and 9 th Avenue
Access:	Good from Grant Street and 9 th Avenue
Zoning/Restrictions:	A-1, Light Industrial, City of Phoenix

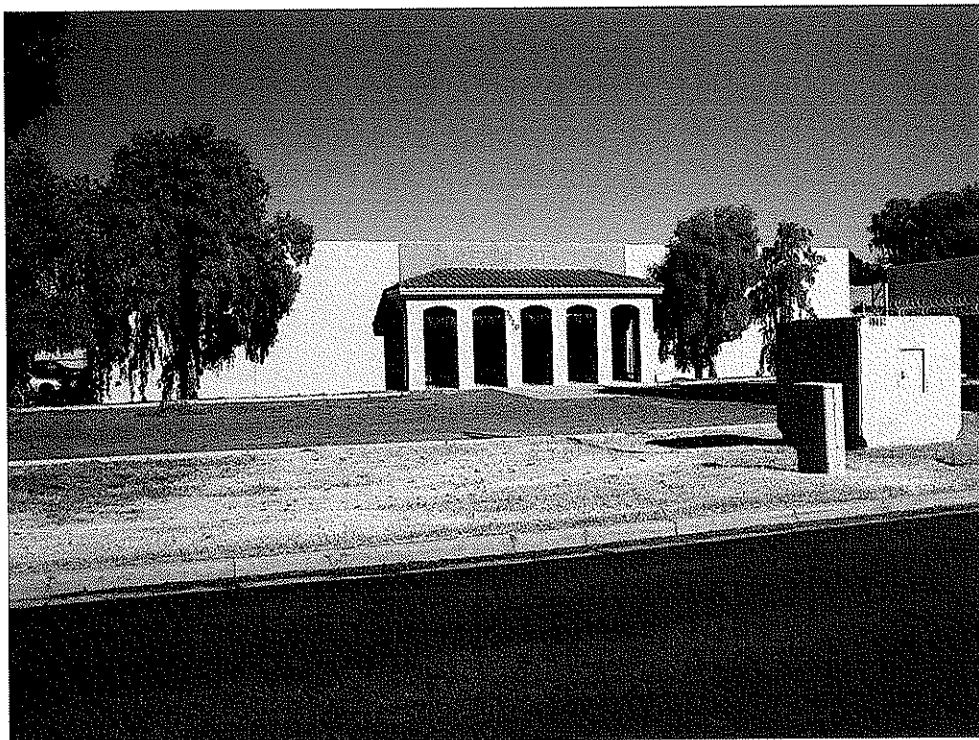
Improvement Data:

Building Area:	12,721 Net square feet
Land-to-Building Ratio:	1.733:1
Year Built/Age:	1963 / 46 Years
Parking Spaces:	Ten spaces
Construction Type:	Concrete block
Clear Height:	Approximately 12 feet
Office Build-out:	Typical
Warehouse Cooling:	Evaporative cooling
Electrical Service:	Not available

Income Data:	This property was acquired for occupancy by the buyer. No income information is available.
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Additional Comments:	This property was originally constructed in 1963 and renovated in 2000 with substantial improvements to the A/C and interior finish.
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Improved Comparable Five



Property Identification

Property Type: Industrial building
Location: 3320 West Vernon Avenue, Phoenix, Arizona
Tax Parcel Number: 108-09-062A and 063B

Sale Data:

Sale Price: \$780,000
Terms: All cash to the seller
Unit Value: \$59.09 Per square foot of building area
Date of Recordation: December 02, 2009
Marketing Time: Less than one year
Grantor/Seller: Preferred Commercial, LLC
Grantee/Buyer: North Twenty First, LLC
Instrument: Warranty Deed
Instrument Number: 09-1107731
Conditions of Sale: Short sale
Confirmation: CoStar, public records, broker and inspection

Site Data:

Shape/Dimensions:	Rectangular
Area:	52,272 Square feet
Frontage:	Adequate along Vernon Avenue
Access:	Good from Vernon Avenue
Zoning/Restrictions:	IND PK, Industrial Park, City of Phoenix

Improvement Data:

Building Area:	13,200 Net square feet
Land-to-Building Ratio:	3.960:1
Year Built/Age:	1981 / 28 Years
Parking Spaces:	Ten spaces
Construction Type:	Concrete block
Clear Height:	Approximately 14 feet
Office Build-out:	Typical
Warehouse Cooling:	Evaporative cooled
Electrical Service:	600a/120-208v

Income Data: This property was acquired to be occupied by the buyer.
No income information is available.

Additional Comments: The broker stated that this property sold for less than market value due to the fact that it was a short sale. He indicated that the market value is in the range of \$850,000.

Improved Industrial Building Sales Summary and Adjustment Grid

	Subject	Comparable Sales				
		1	2	3	4	5
Sale Price		\$1,100,000	\$1,008,000	\$950,000	\$650,000	\$780,000
Size in Net SF	22,595	18,046	18,000	15,400	12,721	13,200
Price Per SF		\$60.96	\$56.00	\$61.69	\$51.10	\$59.09
Quantitative Adj.						
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment		\$0	\$0	\$0	\$0	\$0
Adjusted Price		\$1,100,000	\$1,008,000	\$950,000	\$650,000	\$780,000
Financing	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller
Adjustment		\$0	\$0	\$0	\$0	\$0
Adjusted Price		\$1,100,000	\$1,008,000	\$950,000	\$650,000	\$780,000
Cond. of Sale	Typical	Lease Option	Typical	Lease Option	Typical	Short Sale
Adjustment		\$0	\$0	\$0	\$0	\$70,000
Adjusted Price		\$1,100,000	\$1,008,000	\$950,000	\$650,000	\$850,000
Market Conditions	Dec-09	Oct-08	Sep-09	Sep-09	Oct-09	Dec-09
Adjustment		-20.00%	0.00%	0.00%	0.00%	0.00%
Total Adjustment		-\$220,000	\$0	\$0	\$0	\$0
Adjusted Price		\$880,000	\$1,008,000	\$950,000	\$650,000	\$850,000
Adj. Price Per SF		\$48.76	\$56.00	\$61.69	\$51.10	\$64.39
Qualitative Adj.						
General Location	Typical	Similar	Similar	Similar	Similar	Similar
Adjustment Direction		None	None	None	None	None
Exposure	Freeway	Arterial	Collector St.	Arterial	Arterial	Interior St.
Adjustment Direction		None	Upward	None	None	Upward
Building Area	22,595	18,046	18,000	15,400	12,721	13,200
Adjustment Direction		None	None	Downward	Downward	Downward
Clear Height	±12"	13' - 17'	14' - 16'	12'	12'	14'
Adjustment Direction		None	None	None	None	None
Office Build-Out	100%	Typical	27.8%	Typical	Typical	Typical
Adjustment Direction		None	None	None	None	None
Land-to-Building Ratio	2.378:1	5.394:1	2.672:1	1.918:1	1.733:1	3.960:1
Adjustment Direction		Downward	Downward	Upward	Upward	Downward
Construction Quality	Typical	Inferior	Similar	Similar	Similar	Similar
Adjustment Direction		Upward	None	None	None	None
Year Built/Condition	1967/Average	1954/Similar	1967/Similar	1986/Similar	1963/Similar	1981/Fair
Adjustment Direction		Upward	None	Downward	None	Downward
Net Adjustment		Upward	None	Downward	None	Downward

Quantitative Adjustments

Property Rights Conveyed: This is an appraisal of the fee simple interest in the subject property. The fee simple interest was conveyed in all of the comparable transactions, indicating no adjustments.

Financing: This appraisal assumes an all cash transaction. All of the comparables sold for all cash to the seller, indicating no adjustment.

Conditions of Sale: Comparables 2 and 4 appear to have sold under typical conditions of sale, indicating no adjustment. Comparables 1 and 3 were lease option agreements; however, the sale prices do not appear to have been affected by the agreements and these comparables are not adjusted for conditions of sale. sales appear to have sold under typical conditions. Comparable 5 was a short sale. The broker believe the property sold for approximately \$70,000 less than its value. Recognizing this condition, this comparable is adjusted upward \$70,000 for conditions of sale.

Market Conditions: The effective date of the appraisal is December 14, 2009. The closing dates of the comparables ranged from October 2008 to December 2009. Comparable 1 sold in October 2008, however, the sale price was negotiated in 2006.

Since the end of 2007, the volume of industrial building sales in the area has declined sharply. Moreover, since the collapse of the financial markets in September of 2008, obtaining financing for real estate purchases has become difficult. As a result there has been downward pressure on property values. Furthermore, I recognize the increase in vacancy and decrease in rental rates due to the over supply of industrial space in the area. Recognizing these market conditions, Comparable 1 is adjusted downward for market conditions. Comparables 2, 3, 4, and 5 sold between September 2009 and December 2009 under similar market conditions and are not adjusted for market conditions.

Discussion of Quantitative Adjustments

Comparable 1 is the October 2008 sale of a 18,046 square foot industrial building located at 2220 North 27th Avenue in Phoenix for \$60.96 per square foot, all cash to the seller. After quantitative adjustments, this comparable has an adjusted sale price of \$48.76 per square foot. This comparable is similar to the subject based on location, exposure, building area, clear height and office build-out, indicating no adjustments. This comparable is of inferior quality construction and is older than the subject, indicating upward adjustments. This comparable has a superior land-to-building ratio, indicating a downward adjustment. Overall, this comparable requires a net qualitative upward adjustment, indicating a unit value for the subject property near the adjusted sale price of \$48.76 per square foot.

Comparable 2 is the September 2009 sale of an 18,000 square foot industrial building located at 3306-3314 West Osborn Road in Phoenix for \$56.00 per square foot, all cash to the seller. This comparable is similar to the subject property based on location, building area, clear height, office build-out, quality and year built/condition. This comparable had inferior exposure along a collector street, indicating an upward adjustment. This comparable has a superior land-to-building ratio, indicating a downward adjustment. Overall, this comparable requires no net qualitative adjustment, indicating a unit value for the subject property near the sale price of \$56.00 per square foot.

Comparable 3 is the September 2009 sale of a 15,400 square foot industrial building located at 1146 East Buckeye Road in Phoenix for \$61.69 per square foot, all cash to the seller. This comparable is similar to the subject property based on location, exposure, clear height, office build-out, and construction quality, indicating no adjustments. This comparable is smaller and newer than the subject, indicating downward adjustments. This comparable has an inferior land-to-building ratio, indicating an upward adjustment. Overall, this comparable requires a net downward adjustment, indicating a unit value for the subject property below the adjusted sale price of \$61.69 per square foot.

Comparable 4 is the October 2009 sale of a 12,721 square foot industrial building located at 902 West Grant Street in Phoenix for \$51.10 per square foot, all cash to the seller. This comparable is similar to the subject property based on location, exposure, clear height, office build-out, construction quality and year built/condition, indicating no adjustments. This comparable is smaller than the subject, indicating a downward adjustment. This comparable has a lower land-to-building ratio, indicating an upward adjustment. Overall, these adjustments are offsetting and this comparable requires no net adjustment, indicating a unit value for the subject property near the sale price of \$51.10 per square foot.

Comparable 5 is the December 2009 sale of a 13,200 square foot industrial building located at 3320 West Vernon Avenue in Phoenix for \$59.09 per square foot, all cash to the seller. This comparable is similar to the subject based on location, clear height, office build-out and construction quality, indicating no adjustments. This comparable is located on an interior street, indicating an upward adjustment. This comparable is smaller than the subject, has a higher land-to-building ratio and is newer than the subject, indicating downward adjustments. Overall, this comparable requires a net downward adjustment, indicating a unit value for the subject property below \$64.39 per square foot.

Reconciliation of Value Indications

To conclude a value for the subject site, the subject and comparables are arrayed in the following table:

Array by Net Relative Rating		
Comparable Sale	Net Adjustment	Adjusted Unit Price
5	Downward	\$64.39
3	Downward	\$61.69
2	None	\$56.00
Subject	-	-
4	None	\$51.10
1	Upward	\$48.76

Based on this array, the comparable sales indicate a unit value below the adjusted unit sale price of Comparables 3 and 5 (below \$61.69 per square foot), above the adjusted sale price Comparable 1 (above \$48.76 per square foot), and near the adjusted sale prices of Comparables 2 and 4 (near \$51.10 and \$56.00). Based on these indications, it is our opinion that the subject has a value near \$55.00 per square foot of building area.

Based on this unit value estimate, the overall value of the subject site is calculated as follows:

$$\begin{aligned} 22,595 \text{ Square feet} \times \$55.00 \text{ Per Square Foot} &= \$1,242,725 \\ &\text{Rounded to } \$1,245,000 \end{aligned}$$

Therefore, based on this analysis using the sales comparison approach, it is our opinion that the market value, as is, of the fee simple interest in the subject property, as of the effective date of the appraisal, is \$1,245,000.

INCOME CAPITALIZATION APPROACH TO VALUE

The income capitalization approach is a procedure in appraisal analysis whereby anticipated economic benefits to be derived from property ownership are converted into a value estimate through a capitalization process.

The two most commonly utilized methods of capitalizing net income into value are direct capitalization and yield capitalization. These methods are based on different measures of expected earnings and include different assumptions concerning the relationship between expected earnings and value.

In completing the Income Capitalization Approach to Value section of this appraisal report, both of these techniques were considered as potentially useful with respect to deriving indications of value for the subject property. However, in this valuation analysis, direct capitalization is used to process net income into an indication of value for the subject property. This technique is based on an overall rate (R_o) that is extracted directly from market sales in which the net income is known or can be closely approximated. Our selection of direct capitalization as the preferred capitalization technique is due to the fact that the subject property is currently configured as a single-user building.

The Income Capitalization Approach to Value section of this report follows a systematic process which can be summarized as follows:

- Similar properties within the subject's competitive market area are surveyed and appropriate estimations of the achievable market rental rates applicable to the subject improvements are derived;
- Reasonable conclusions regarding the subject's competitive market area are made;
- Utilizing either contract or achievable market rental rates, the potential gross income of the subject property is estimated;
- Vacancy and collection losses are estimated to allow for reductions in potential gross income due to vacancies, tenant turnover and nonpayment of rent;
- Estimated vacancy and collection losses are deducted from the subject's estimated potential gross income to obtain effective gross income;
- An analysis of operating expenses (the periodic expenditures necessary to maintain the real property and continue the production of the effective gross

income) is completed. The operating expense analysis considers fixed expenses, variable expenses and a replacement allowance;

- A reconstructed operating statement, or pro forma statement, is then prepared which represents estimates of the probable future net operating income of the subject property;
- An appropriate overall capitalization rate is then derived to convert the subject's estimated net operating income into a value indication;
- The subject's net operating income estimate is then capitalized into a value indication in one step by dividing the net operating income estimate by an appropriate overall rate. The direct capitalization formula that applies to this type of valuation analysis can be expressed as follows:

$$\text{Value} = \frac{\text{Net operating income}}{\text{Overall capitalization rate}}$$

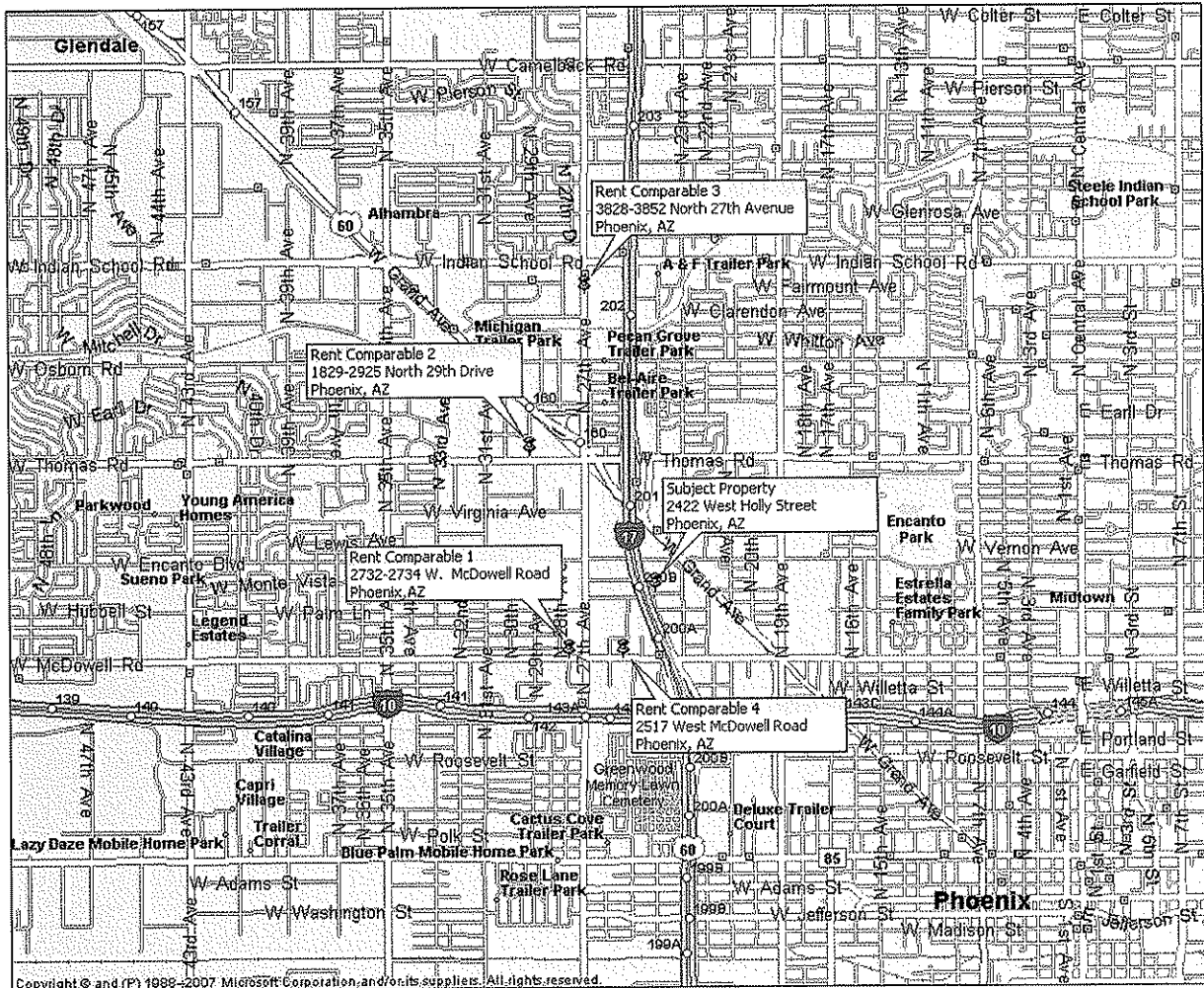
Rent Comparables Summary and Analysis

In selection of the rent comparables, the following information was considered:

- The comparables are located within the subject's competitive market area.
- The comparables and the subject are of similar physical characteristics.

Presented on the following pages are a map, data sheets and a discussion of the rent comparables considered to provide a market rent indication for the subject property.

Rent Comparables Map



Rent Comparable One



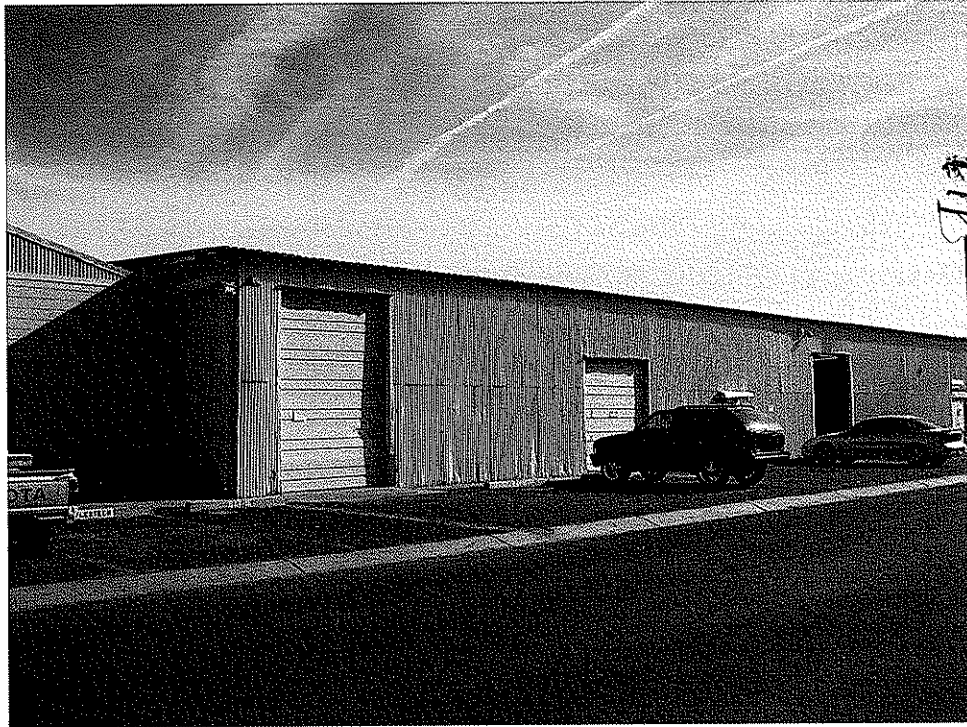
Tenant:	Not disclosed
Location:	2732-2734 West McDowell Road, Phoenix, Arizona
Tax Parcel No.:	108-28-090
Rental Rate:	\$0.39 Per square foot per month (\$4.68 per square foot per year) flat over the two year term
Lease Structure:	Modified Gross
Tenant Improvement Allowance:	None
Lease Date:	April 2009
Move Date:	July 2009
Lease Term:	Two years
Year Built/Condition:	1983/Average
Building Area:	11,400 Square feet
Lease Area:	11,400 Square feet
Description:	This is a concrete, tilt-up industrial building with a 20+ foot clear height, 2,000 square feet of office space, evaporative cooled warehouse, truck well, and fenced yard.
Comments:	The broker stated that a lease was executed but the tenant has since broken the lease. The space is now being marketed for the same rate.

4,000 Square feet of space within the McDowell Industrial Center with frontage along 28th Avenue is currently listed for \$0.59 per square foot per month (\$7.08 per square foot per year).

Source:

CoStar, broker and inspection

Rent Comparable Two



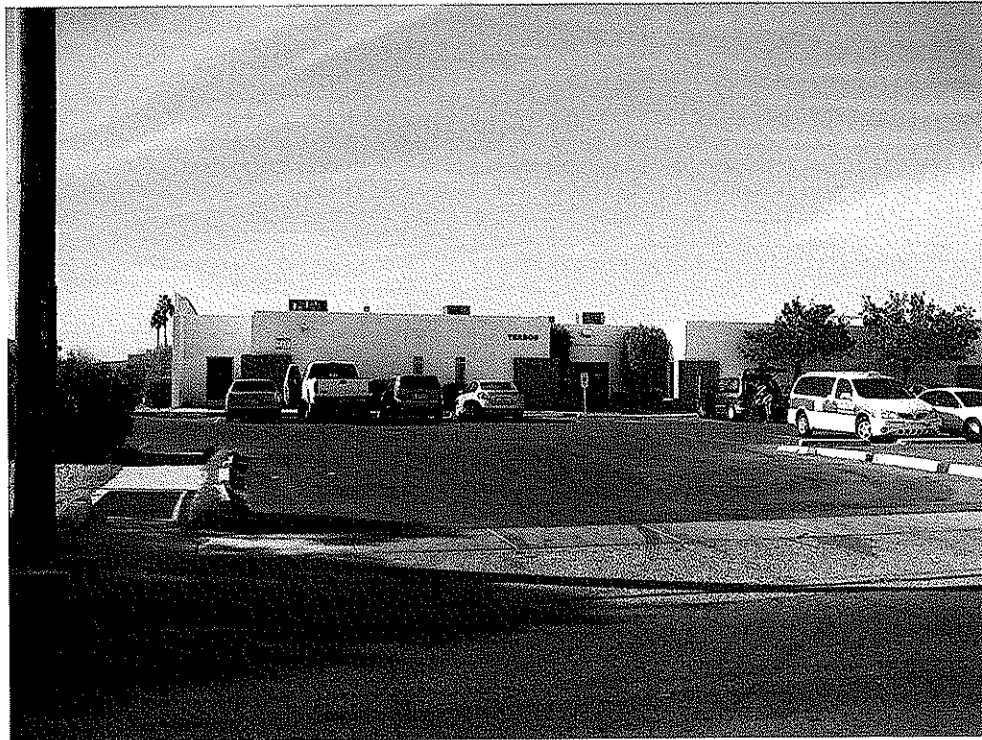
Tenant:	Various
Location:	1829-2925 North 29 th Drive, Phoenix, Arizona
Tax Parcel No.:	108-06-007D
Rental Rate:	\$0.30/sf per month (\$3.60/sf per year) \$0.25/sf per month (\$3.00/sf per year) \$0.35/sf per month (\$4.20/sf per year)
Lease Structure:	Industrial Gross
Tenant Improvement Allowance:	Depends on the deal
Lease Date:	July and August 2009
Move Date:	August and September 2009
Lease Term:	Varies
Year Built/Condition:	1940/fair
Building Area:	261,250 Square feet
Lease Area;	15,524 Square feet 15,319 Square feet 14,696 Square feet
Description:	This is a metal industrial building with a 14± foot clear height and an evaporative cooled warehouse. The building is in fair condition.
Comments:	The broker could not recall the terms of each lease, but indicated that the rates reported in CoStar were probably accurate. He indicated that the current asking rate for space in the building is \$0.25/sf

(\$3.00/sf per year) but they will accept \$0.20/sf.
(\$2.40/sf per year).

Source:

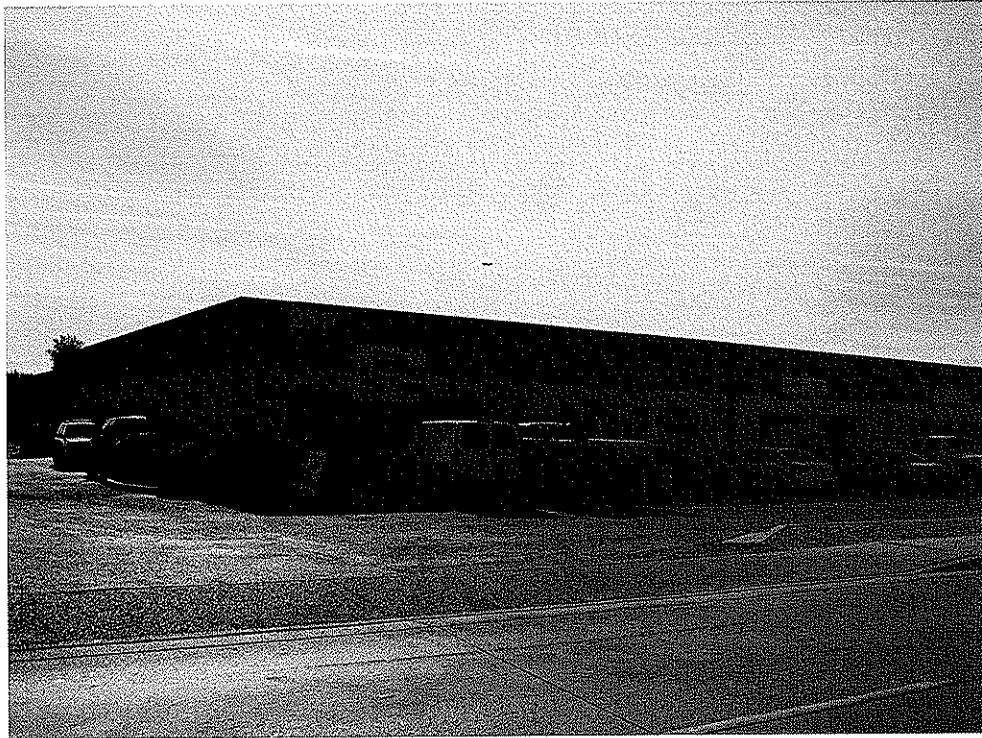
CoStar, broker and inspection

Rent Comparable Three



Tenant:
Location: 3828-3852 North 27th Avenue, Phoenix, Arizona
Tax Parcel No.: 108-01-183
Rental Rate: \$0.48 Per square foot per month (\$5.76 Per square foot per year) average over the lease term (increases from \$0.45 to \$0.60 during the lease five year term).
Lease Structure: Industrial Goss
Tenant Improvement Allowance: \$2.10 Per square foot
Lease Date: October 2009
Move Date: November 2009
Lease Term: Five years
Year Built/Condition: 1969/Average
Building Area: 31,390 Square feet
Lease Area: 16,777 Square feet
Description: This is a concrete block, flex industrial building. The broker stated that the lease space includes a lot of office space but did not know the square footage. The building was in generally average-to-good condition.
Source: CoStar, broker and inspection

Rent Comparable Four



Tenant:	Not disclosed
Location:	2517 West McDowell Road, Phoenix, Arizona
Tax Parcel No.:	109-05-009
Rental Rate:	\$0.36/sf per month (\$4.32/sf per year) with increases of \$0.30/sf each year and two months free rent (average \$0.39/sf over lease term)
Lease Structure:	Industrial Gross
Tenant Improvement Allowance:	None
Lease Date:	November 2009
Move Date:	December 2009
Lease Term:	50 Months
Year Built/Condition:	1985/Average
Building Area:	87,719 Square feet
Lease Area:	3,758 Square feet
Description:	This is a concrete block industrial building with a 10 - 12 foot clear height and an evaporative cooled warehouse. The leased space is mostly warehouse and is in generally average-to-good condition.
Source:	CoStar, broker and inspection

Rent Comparables Summary and Adjustment Grid					
		Comparable Rentals			
	Subject	1	2	3	4
Rental Data					
Rental Area	22,595	11,400	14,696 - 15,524	16,777	3,758
Rental Rate (NNN Equiv.)		\$0.39	\$0.25 to \$0.35	\$0.48	\$0.39
Lease Date		Apr-09	Jul-09 & Aug-09	Oct-09	Nov-09
Term		2 Years	Varies	5 Years	50 Months
Tenant Improvements		None	Varies	\$2.10 / sf	None
Adjustment Criteria					
Market Conditions	Dec-09	Apr-09	Jul-09 & Aug-09	Oct-09	Nov-09
Location	Typical	Similar	Similar	Similar	Similar
Clear Height	12'	20'	14'	14'	18'
Office Build-Out	100.0%	17.5%	Typical	Typical	Typical
Construction Quality	Typical	Similar	Inferior	Similar	Similar
Year Built/Condition	1967/Average	1983/Average	1940/Fair	1969/Average	1973/Average
Net Adjustments		None	Upward	None	None

Analysis of Rent Comparables

The rental rates for the comparables used in this analysis were quoted on a rent per square foot of building per month basis. All of the leases were or will be written on a triple net basis or were converted to a triple net equivalent rate. Under a triple net lease structure, the tenant pays most of the property expenses. This analysis will be based on a triple net lease structure.

Comparable 1 is the lease of an 11,400 square foot industrial building located at 2732 to 2734 West McDowell Road for \$0.39 per square foot. This comparable is overall similar to the subject, indicating no adjustment and a market rental rate for the subject near \$0.39 per square foot for the subject.

Comparable 2 is the lease of various spaces within an industrial building located at 1829 to 2925 North 29th Drive for a range of \$0.25 to \$0.35 per square foot. This comparable is significantly inferior to the subject, indicating an upward adjustment and a market rental rate above \$0.25 to \$0.35 per square foot for the subject.

Comparable 3 is the lease of 16,777 square feet of industrial space within a larger 31,390 square foot building for an average rental rate of \$0.48 per square foot over a five year lease term. This comparable is overall similar to the subject, indicating no adjustment and a market rental rate for the subject near \$0.48 per square foot.

Comparable 4 is the lease of 3,758 square feet of industrial space within an 87,719 square foot building for an average rental rate of \$0.39 per square foot over a 50 month lease term. This comparable is overall similar to the subject, indicating no adjustment and a market rental rate for the subject near \$0.39 per square foot.

Based on these indications, it is our opinion that the subject property has a market rental rate near \$0.40 per square foot, industrial gross.

Vacancy

As discussed in the market analysis section of this report, the southwest submarket (north of Buckeye Road) and west Phoenix submarket (south of Thomas Road) have a current combined vacancy rate of 14.1% (direct) and 14.6% (total vacant). This high vacancy rate is a result of new space added and negative absorption in the last three years. Recognizing that the current trend in the economy and real estate market does not project improvement conditions in the near term, for this analysis, we project a vacancy rate of 14%.

Subject Expense Analysis

The only expenses paid for the subject property by the landlord are taxes, insurance, major maintenance and miscellaneous. The expenses paid by the tenant include utilities, minor maintenance. For this analysis, we have used tax comparables to estimate the subject's real estate taxes. For insurance and maintenance, we have relied on our knowledge of these expenses for other industrial buildings we have appraised.

Proforma Operating Statement

Based on the preceding discussion, a forecast of estimated stabilized net operating income can be made as follows:

PRO FORMA OPERATING STATEMENT

Potential gross annual income		
Rent (\$0.40 X 12 Months X 22,595 Square Feet)		\$108,456
Less vacancy and credit loss (14% of PGI)		(15,184)
Effective Gross Income		\$93,272
Taxes (\$1.00 x 22,595)	\$22,595	
Insurance (\$0.20 x \$22,595)	4,519	
Major Maintenance (\$0.10 X 22,595):	2,260	
Miscellaneous (1% of EGI)	933	
Total expenses		\$30,306
Net operating income		\$62,966

Derivation of Overall Capitalization Rate

Direct capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step - either by dividing the income estimate by an appropriate income rate, or by multiplying the income estimate by an appropriate factor. In direct capitalization no precise allocation is made between the return on and the return of capital as the method does not simulate investor assumptions and forecasts concerning the holding period, the pattern of income, or changes in the value of the original investment. However, a satisfactory rate of return for the investor and recapture of the capital invested are implicit in the rates or factors applied as they are derived from similar investment properties.

An appraiser can estimate an overall capitalization rate by employing various techniques depending upon the quantity and quality of data available for analysis. Those techniques which are generally accepted are listed as follows:

- Derivation from comparable sales
- Derivation from effective gross income multipliers
- Band of investment, mortgage and equity components
- Band of investment, land and building components
- Debt coverage formula

Of these techniques, deriving capitalization rates from comparable sales data is preferred when sufficient information concerning similar competitive properties is available. None of the comparables in the sales comparison approach were sold based on a capitalization rate. Therefore, we have considered sales of other industrial buildings in the Phoenix area, as summarized in the following table:

Overall Rate Comparables								
Property Identification				Recording	Sale	Building	Price Per	Overall
Number	Dir.	Street Name	City	Date	Price	Area	Sq. Ft.	Rate
2948-2950	North	30th Avenue	Phoenix	18-Mar-09	\$410,000	9,500	\$43	10.71%
7360	East	Acoma Drive	Scottsdale	31-Jul-09	\$3,100,000	38,489	\$81	9.60%
7621	East	Gray Road	Scottsdale	24-Nov-08	\$4,345,000	44,246	\$98	8.40%
621	West	Lone Cactus Drive	Phoenix	23-Jun-09	\$815,000	15,000	\$54	8.37%
16035	North	80th Street	Scottsdale	2-Feb-09	\$2,171,700	11,634	\$187	8.10%
Average:								9.04%
Median:								8.40%
Source: CoStar								

The comparable sales in the above table indicate an overall rate range of 8.10% to 10.71% with a mean of 9.04% and a median of 8.40%.

Additionally, we have considered the Price Waterhouse Coopers Investor's Survey for the third quarter of 2009 indicates an average institutional rates of 8.77% for the national flex/R&D market and 8.46% for the national warehouse market with non-institutional rates and average of 213 basis points higher for national flex/R&D and 233 basis points higher for the national warehouse market.

The subject property is not an institutional grade property, which would indicate average overall rates of 10.9% and 10.79%.

With greatest weight on the local comparable overall rate data, however, with some support from the Investor's Survey data, it is our opinion that an appropriate overall rate for this analysis 9.0%.

Capitalization of Net Operating Income and Value Conclusion

The formula for converting one year's anticipated income into an indication of value utilizing a cap rate is as follows:

$$\text{Value} = \frac{\text{Net operating income}}{\text{Overall capitalization rate}}$$

As discussed previously, projected net operating income for the subject property is \$62,966 and the market derived cap rate is estimated to be 9.0%. Based on these estimates, the value of the subject property is calculated using the above formula as follows:

$$\begin{aligned} \$62,966 / 9\% &= \$699,622 \\ \text{Rounded: } &\$700,000 \end{aligned}$$

Therefore, based upon this analysis and discussion, it is my opinion that the market value, as if repaired, of the fee simple estate of the subject property, as of the effective date of the appraisal is \$700,000.

RECONCILIATION AND FINAL VALUE ESTIMATE

In this appraisal report, we have considered the three recognized approaches to value; however, have used only the sales comparison and income approaches. Our reasoning for excluding the cost approach was explained previously. The values indicated using these approaches to value utilized are as follows:

Cost Approach:	Not Applied
Sales Comparison Approach:	\$1,245,000
Income Approach:	\$700,000

In estimating the market value of the subject via the sales comparison approach, sales of comparable improved properties were analyzed, compared, and adjusted to provide a value indication for the subject property. Although differences were observed upon comparison of the improved properties, all of the comparables were sufficiently similar to the subject to derive a value conclusion. In the analysis, quantitative and qualitative adjustments were considered and applied to each comparable. The strength of this approach to value is that it is reflective of current sales activity and the actions of market participants. This approach to value has the greatest reliability when the available market data and comparative sales do not differ from the property being valued. Moreover, due to the large amount of industrial space available for lease in the area, rental rates have declined in the last 18 months. The values supported by rental rates in the area are lower than the prices at which owners are willing to sale and buyers are willing to buy. Therefore, it is our opinion that the sales comparison approach merits greatest weight in this analysis.

In the Income Approach we estimated the Proforma annual net operating income of the property. In order to estimate the net operating income, we analyzed, compared, and adjusted, comparable rental properties, market vacancy, and comparable operating expenses. The overall capitalization rate (OAR) was estimated based upon the sales of comparable properties, published sources and comments from active brokers. The strength of the Income Approach is that it reflects current conditions in the market. It is often considered to be the most reliable of the three approaches to value for leased properties with stabilized income levels. Nonetheless, there is a large amount of for lease space available in the area. There has been downward pressure on rental rates and rental rates have declined. As a result, rental income for comparable properties supports lower values than the prices at which buyers are willing to buy and sellers are willing to sale. Moreover, there are currently very few properties that are being bought and sold based on their income. The current market rental rates can be viewed as interim rental rates under the current

economic and market conditions. As the market recovers and rental rates increase over time, buildings can be sold at a market level or can be released at a market level.

Therefore, recognizing that the market is placing greatest weight on the sales comparison approach and minimal weight on the income approach, it is our opinion that the sales comparison approach merits greatest weight.

Therefore, based on this analysis with greatest weight on the sales comparison approach, it is our opinion that the market value, as is, of the subject property's fee simple estate as of the effective date of the appraisal, is:

ONE MILLION TWO HUNDRED THOUSAND DOLLARS
\$1,200,000

We recognize that the subject property is fully built-out with office and lab space for the existing user. It is unlikely that a buyer or user of the property can utilize the existing interior space as it is currently built-out. Nonetheless, a potential user will likely be able to utilize at least some of the space and some of the improvements may have some salvage value. Therefore, for this analysis, it is our opinion that the superadequate interior improvements neither add to or detract from the value of the property.

Subject Photographs

Engagement Letter

Zoning Description

Appraisers' Qualifications

Subject Photographs



View looking west along Holly Street. The subject is to the right.



View of subject looking northwest



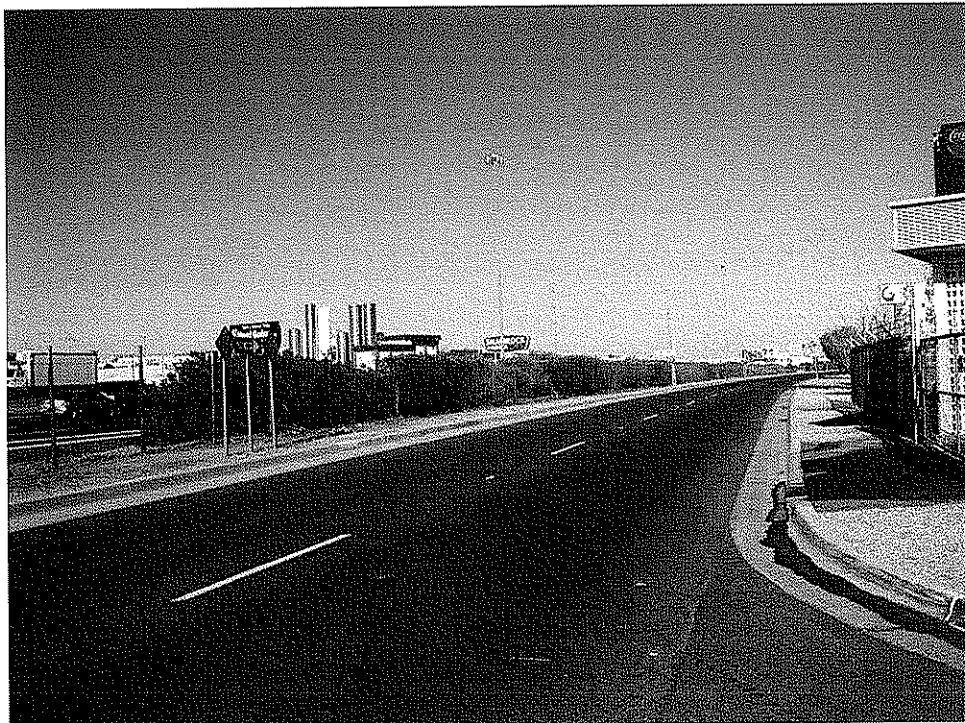
View of parking lot looking north



View of subject looking northeast



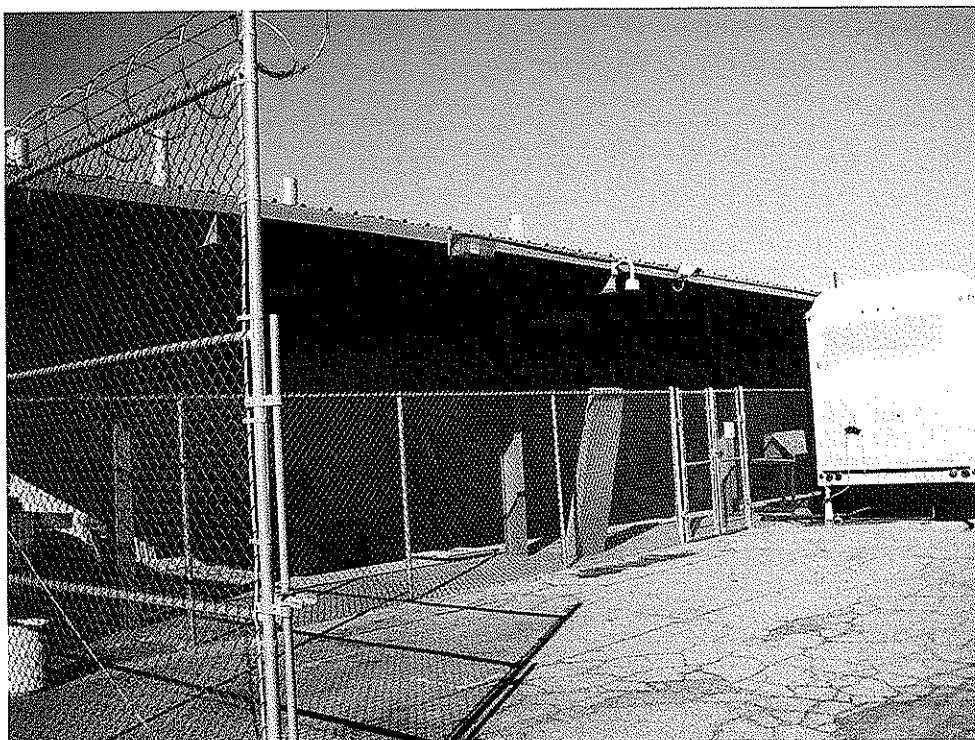
View of subject looking north from the I-17 frontage road



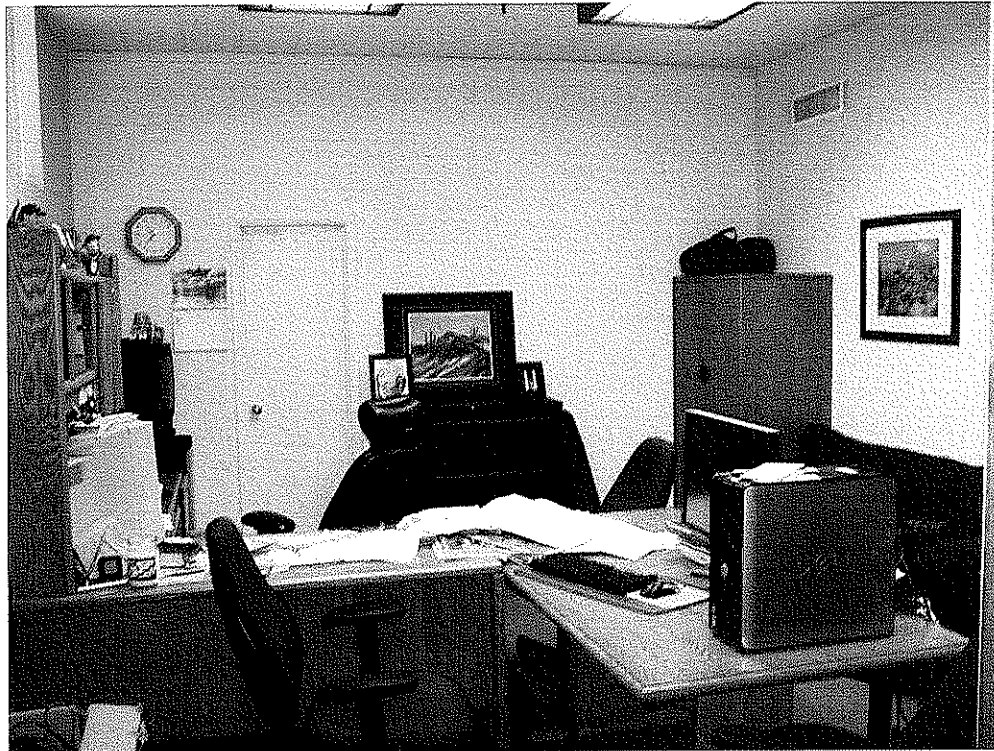
View looking north along Black Canyon Highway



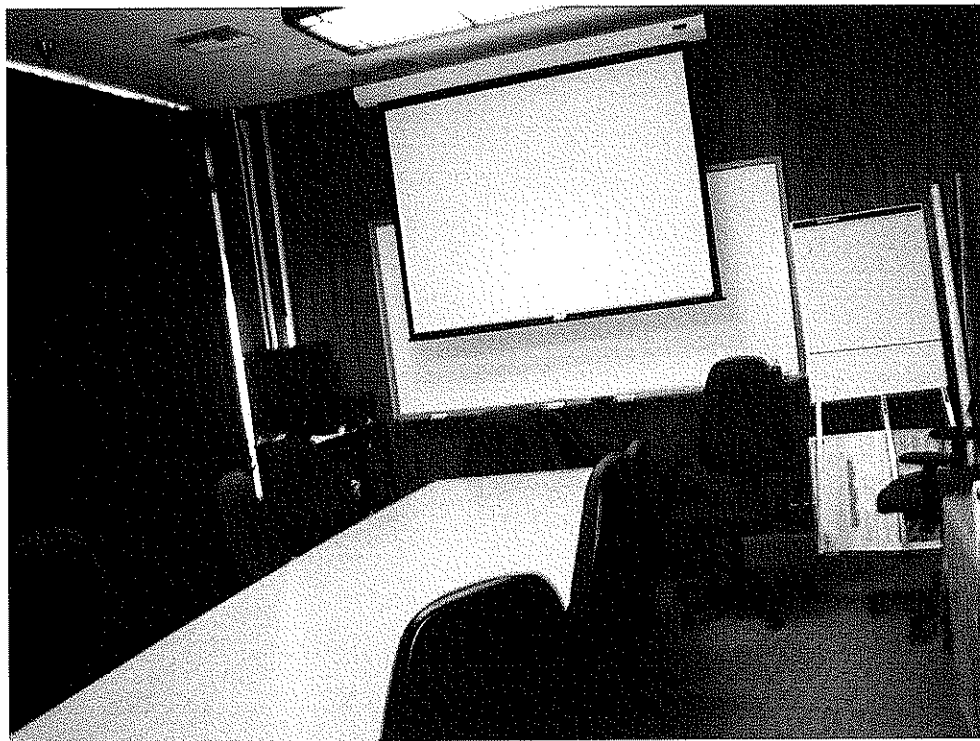
View of chain-link fence and automatic gate



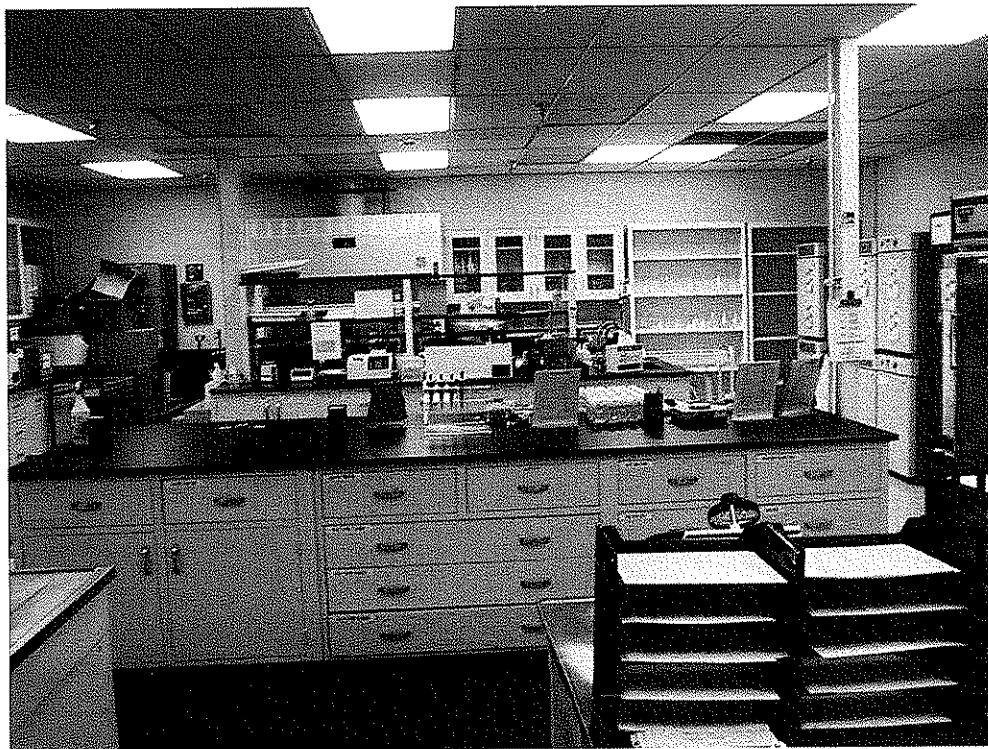
View of steel awning



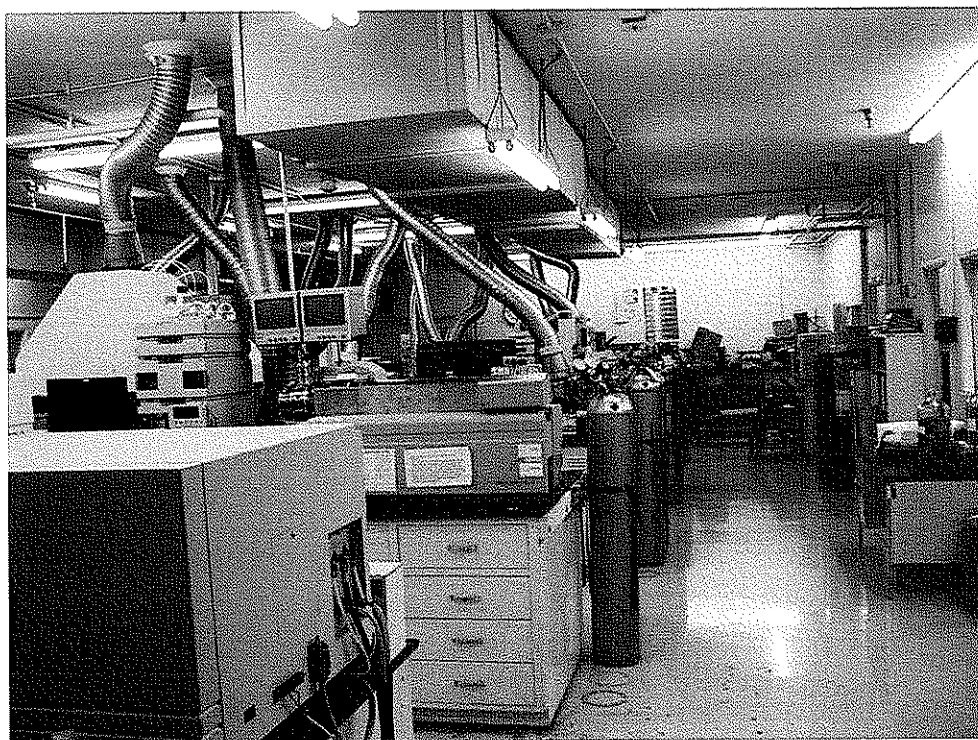
View of typical office



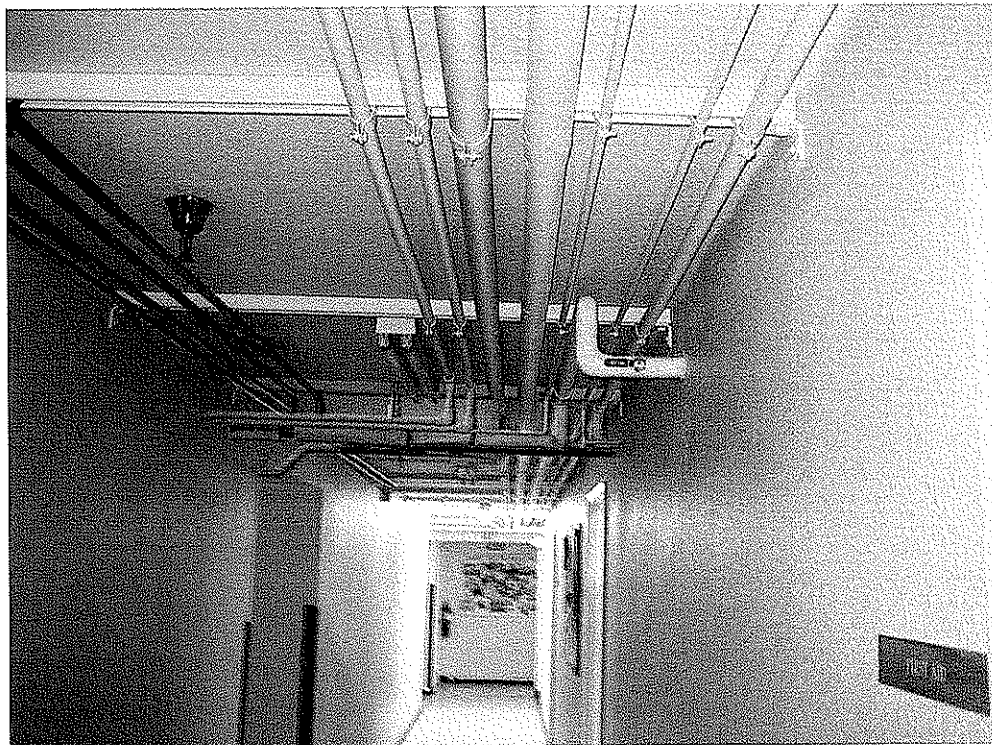
View of conference room



View of typical lab



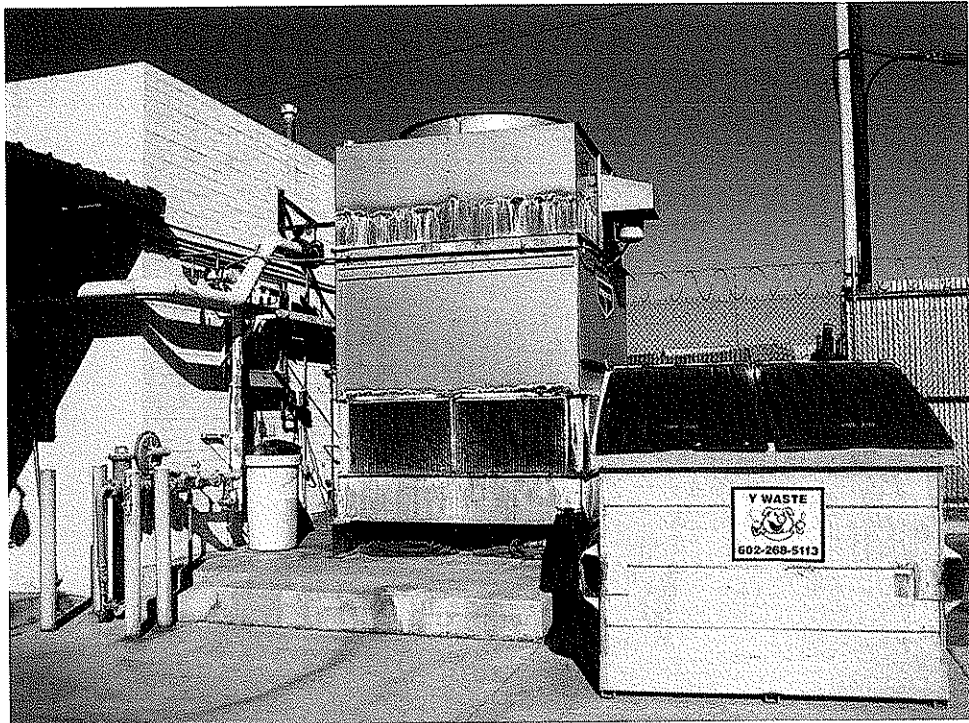
View of typical lab



View of typical hallway with various pipelines



View of typical restroom



View of water tower for chiller

Engagement Letter

12/03/2009 04:31 6025425508

SPO

PAGE 01



STATE OF ARIZONA
DEPARTMENT OF ADMINISTRATION
AUTOMATED PURCHASE ORDER

FY
10

Page 1 Of 1
4. PO Number (Purchasing)
CU49814

Purchase Officer ELIZABETH CASTEEL		Phone 602-5429141	Entered By TOM HUCKABAY	Approval Date 12/3/2009	
Vendor No. 6,452	MO		Batch Header		
	AGCY	Date	Type	Number	
Vendor Sell & Associates, Inc., 4625 South Lakeshore Dr Tempe AZ 85282			Ship to ADOA General Svcs-Finance 100 N. 15th Avenue #202 Phoenix AZ 85007		
Item	Qty	Unit	Commodity/Stock	Detailed Description	Unit Price Extended \$
1	1.00			Appraisal for 2422 W. Holly. Per quote dated 12/1/09. State contact is Byron Lavoie, 602-364-4431.	\$3,500.0000 \$3,500.00
By			adhuckt	On	

Line#	Project	Fund	Index	PCA	Comp Obj	Amount	
1	0000.2		20010		6299	\$3,500.00	
							Sub Total \$3,500.00
							+Tax \$0.00
							+ Freight \$0.00
							- Discount \$0.00
							Purchase Total \$3,500.00

Bill to Address	ADOA, Accounting Office 100 N. 15th Avenue, Ste. 201 Phoenix, AZ 85007	Date Delivery Required Terms: NET 30 DAYS F.O.B. Destination
--------------------	--	--

Funding Verified By	Approval Signatures
Receiving Employee	# Approved by NOLA BARNES
Authorized Agent <i>Elizabeth Casteel</i>	Date

Doc Date	Eff Date	Cur Doc	SFX	AGY	Fund	Grant No	PH	Proj No	PH
TC	Index	AY	Comp Obj	Trans Amount	Doc Amount	Doc AGY			

Description

IMPORTANT: This is NOT an Authorized PURCHASING document unless signed by Authorized Agent

Section 628. A-2 Industrial District.

A. Purpose. The Industrial District is designed to accommodate uses with one or more of the following characteristics: intensive use of property; open uses and/or storage; industrial processes which may involve significant amounts of heat, mechanical and chemical processing, large amounts of materials transfer, extended or multiple shift operation, large scaled structures, etc. Such uses often function best in association with other similar or supportive uses. Because of the intensity and characteristics of this use class, specific standards are set to maximize their compatibility when adjacent to residential districts or when located on arterial or collector streets. *5

B. Permitted Uses. Within the Industrial District no building, structure, or use shall be made of land for any purpose other than any one of the following, provided that any such use shall meet the standards as set forth in this section:

1. Commercial C-3 uses, except residential uses.
2. Manufacturing: Fabrication and assembly of finished products or subassemblies, so long as the primary use of the property is not the basic processing and compounding of raw materials, or food products.
3. Mobile vendors, subject to the following conditions or limitations: +6
 - a. Mobile vendors shall not locate a mobile vending unit less than one thousand three hundred twenty feet measured in a straight line from another licensed mobile vendor on the same side of the street. The measurement shall be made from a line drawn around the mobile vending unit with the line being at all points ten feet from the nearest point of the mobile vending unit. +6
 - b. Notwithstanding the provisions of subsection a above, no more than two mobile vendors shall be permitted on the corner lots at any intersection. +6
 - c. Mobile vendors shall operate only upon surfaces that comply with the dust proofing and paving requirement for parking and maneuvering areas as set forth in Section 702.A.2.d of the Zoning Ordinance. +6
 - d. Mobile vendors shall not be located so as to obstruct parking spaces required by this ordinance for the operation of any other use on the site. +6
 - e. Mobile vendors must maintain on the site a minimum of three parking spaces designated for their use. +6
 - f. The use of signs by mobile vendors shall be governed by the sign regulations contained in Section 705 of this ordinance. +6
 - g. Any mobile vendor located on a vacant lot shall be considered a use and be subject to all of the district regulations relating to uses, except that the perimeter landscaping requirements of Section 624.C.4.E [sic] shall not apply. +6
 - h. Notwithstanding subsection l below, a mobile vending unit located on a lot which has another use shall also be considered a use if the mobile vending unit is located within or under any permanent structure. Such use shall comply with all of the regulations for a use in the district, except that the perimeter landscaping requirements of Section 624.C.4.E [sic] shall not apply. For the purpose of this section, "permanent structure" shall mean a structure that is built or constructed such as an edifice, building, walls, benches, shade structure or any piece of work

artificially built up or composed of parts joined together in some definite manner, and permanently attached to the ground. +6

i. If a mobile vendor is located on a lot which has another use, the mobile vendor shall be considered an accessory use. +6

j. No mobile vending unit shall: +6

1. Be placed within fifteen feet of any street right-of-way. +6

2. Be placed within one hundred feet of the intersection of an on- or off-ramp of a freeway and the street to which the ramp exits. +6

k. Exemptions. These provisions shall not apply to mobile vendors or vending units (1) located in a swap meet licensed pursuant to chapter 10 of the Phoenix City Code; (2) used exclusively for the sale of seasonal items such as Christmas trees or pumpkins that are sold prior to holidays or traditional observances such as Christmas or Halloween; (3) regulated as a temporary use pursuant to Section 708.D of this ordinance; or (4) regulated pursuant to Section 637.A.4 (Promotional events at shopping centers). +6

l. Neither the Zoning Administrator nor the Board of Adjustment shall have the jurisdiction to grant variances from the provisions of subsections (a), (b), (d), (e), and (j)(1) and (2) above. +6

m. Any parcel upon which a mobile vendor use has been legally established shall be considered to be a mobile vendor site for purposes of applying subsections a and b above. In the event that the mobile vendor use ceases on the site for a period of one hundred eighty consecutive days and is not legally reestablished by the end of one-hundred-eighty-day period, the site shall no longer be considered a mobile vendor site for purposes of applying subsections a and b above. During the one-hundred-eighty-day period, the site shall be considered a mobile vendor site for the purpose of applying subsections a and b above. +6

4. Wholesaling and warehousing: Storage of merchandise; sales to a retailer or a business or industrial consumer so long as the purpose of the customer in buying goods is to resell them or to use them for business needs as supplies or equipment.

5. Basic compounding and processing of raw materials except food and agricultural products. The end product consists of materials for later processing or fabrication into a finished product to be used by the ultimate purchaser.

6. Basic compounding and processing of food and agricultural products.

7. Industrial agricultural activities: Wholesale storage and sales of agricultural chemicals, fertilizers, feeds, livestock supplies; storage and packing of field crops, produce and meat for later shipment and processing, animal stables, auctions, boarding, breeding and hospitals; wood and wood products storage, processing and manufacturing; crop dusting services.

8. Contractor yards and shops; heavy equipment repairs; agricultural implement repair and service; aircraft, bus and commercial trucks over three-fourths ton rated capacity repair and service; and including, as an accessory use, the storage of equipment and materials.

9. Extensive outside uses: Outside activities and storage of materials as the primary use; salvage and dismantling activities may be included; and as an accessory use wholesale and retail sales.

10. Shelters and dormitories intended to provide temporary shelter. A use permit shall be required in accordance with the provisions of Section 307 if the shelter or dormitory providing temporary shelter is located within one thousand three hundred twenty feet of a residential zoning district. +1

11. Bus line depots with repair and light maintenance, including washing facilities.
+3

C. Accessory uses. Unless otherwise specified, no accessory uses shall be permitted in this district except the following:

1. Quarters for caretakers or watchmen.
2. Commercial C-3 uses, except residential.
3. Reserved. -7

D. District regulations. Any use established or conducted within this district shall comply with the following standards:

1. Smoke, gas and odor emissions shall comply with Regulation III of the Maricopa County Air Pollution Control Rules and Regulations.
2. The disposal of all waste materials shall comply with title 9, chapter 8, articles 18 and 4 of the Hazardous Waste Regulations as adopted by the Arizona Health Department.
3. The average noise level, measured at the property line, shall not exceed fifty-five dB (l dn) when measured on an "A weighted" sound level meter and according to the procedures of the Environmental Protection Agency.
4. Explosive or hazardous processes: Certification shall be provided by the Phoenix Fire Department Prevention Bureau that all manufacturing, storage and waste processes on the site shall meet safety and environmental standards as administered by the Bureau.
5. All direct sources of illumination shall be shielded so as not to be visible from adjacent residentially zoned property.

E. Site standards.

1. No individual site shall be sold or leased in the Industrial District if such site is not of sufficient size so that it may be developed in accordance with the requirements of this section.

2. The use of any lot in this district shall comply with the following standards:

a. *Building height.* Fifty-six-foot maximum height; up to eighty feet allowable with a use permit with a specific plan of development. Requests to exceed this limit for a warehouse up to a maximum height of one hundred ten feet may be granted by the City Council upon recommendation from the Planning Commission in accordance with the standards and procedures of Section 506 and upon a finding that such additional height is not detrimental to adjacent property or the public welfare in general. *2

b. *Yard requirements.*

(1) Section 701.D.3 shall apply to yards on an arterial or collector street, adjacent to a canal right-of-way, and when any yard on a public street is on a block where either side of the street contains residential zoning. If landscaping is placed in the canal right-of-way adjacent to the development, the landscape setback may be reduced by an amount equal to the depth of the right-of-way landscaping. If the canal bank right-of-way is too narrow to accommodate the full landscape setback requirement, that landscape setback requirement may be reduced provided that a minimum ten-foot-wide landscape setback is placed adjacent to the canal bank right-of-way line. If no landscaping is provided on the canal bank right-of-way due to physical constraints, then a minimum fifteen-foot-wide landscape setback shall be provided on-site adjacent to the canal bank right-of-way. *4 *5

(2) For side and rear yards there shall be a thirty-foot setback where adjacent to a residential district for closed buildings and one hundred fifty feet for open buildings or use.

(3) Except for vehicle parking areas, no outdoor uses, outdoor storage, or open buildings shall be within seventy-five feet of a public street.

c. *Screening.*

(1) *Parking or loading and unloading areas where within one hundred fifty feet of a residence district.*

(a) For employee and customer parking a four- to six-foot wall or landscaped berm is required. The wall may be three feet high if the parking area is located in a yard as specified in Section 628.E.2.b(1).

(b) In areas used for truck parking, loading or unloading, an eight-foot-high wall is required.

(2) Open storage or use.

(a) Any outside storage or use within one hundred feet of a residential district or any public street shall be screened by a six-foot-high solid fence or wall.

(b) Height of open storage.

i. Open storage shall be no higher than six feet plus one foot in height for every additional three feet of setback from a property line.

ii. If the storage area is within one hundred fifty feet of a public street, screening in addition to the required six-foot fence shall include fifteen-gallon trees spaced no more than twenty-five feet apart and with an adequate watering system.

Date of Addition/Revision/Deletion - Section 628

+1 Addition on 1-5-1994 by Ordinance No. G-3722

*2 Revision on 5-18-1994 by Ordinance No. G-3757

+3 Addition on 3-20-1996 by Ordinance No. G-3916

*4 Revision on 7-2-1997 by Ordinance No. G-4041

*5 Revision on 7-1-1998 by Ordinance No. G-4109

+6 Addition on 10-4-2000 by Ordinance No. G-4298, eff. 2-1-2001

-7 Revision on 3-4-2009 by Ordinance No. G-5329, eff. 4-3-2009

Appraisers' Qualifications

QUALIFICATIONS OF JAN A. SELL MAI, FRICS, SR/WA, SRA, CCIM

Jan Sell has been appraising property in the southwestern part of the nation since 1973. He graduated from Arizona State University in 1974 with a Bachelors of Science degree in Business Administration with a specialization in real estate. Prior to graduation, he began his appraisal career and was awarded the "Outstanding Real Estate Appraisal Student" awarded by the Society of Real Estate Appraisers and Arizona State University. Just prior to graduating, he was hired by Valley National Bank as a staff appraiser. Shortly after graduation, Mr. Sell continued his education there as well as acting as a liaison between the appraisal profession and the university. He also was a mentor for numerous students seeking a start in the business. In 1983, he was the recipient of the University's Real Estate Professional of the Year award. He also serves as a guest lecturer at Arizona State University undergraduate program as well as the Masters in Real Estate Development program. He continues to occasionally serve as a lecturer, speaker and or panel member at various seminars on real estate related issues. In the spring of 2008, he obtained a Masters of Science degree in Real Estate Appraisal (4.0 GPA) from the Opus Graduate School of Business, University of St. Thomas, St. Paul, Minnesota.

In 1978 he started his own business which expanded to 88 employees with offices in Arizona, Nevada, California and New Mexico. His appraisal practice, which was traditionally lender based, broadened over the years to include larger financial, corporate, governmental and legal clients. During this period, his litigation support practice grew substantially.

During the late 1980's and early 1990's, he provided appraisals, appraisal reviews, counseling, litigation support and expert witness services for most of the banking industry's regulatory agencies, including the Resolution Trust Corporation, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, and the Federal National Mortgage Association (FNMA). From 1985 to 1990, Mr. Sell helped to organize and subsequently sell Sun National Bank, where he served on the board of directors and loan committee.

Also, he has been retained by numerous entities to perform forensic services involving financial and real estate fraud. He assisted in the discovery of fraudulent activities, which led to the prosecution of numerous individuals. His involvement also included the identification, valuation and disposition of real estate assets and as an expert witness.

Mr. Sell also acts as a consultant for legal council in a variety of real estate related valuation issues. He has participated in numerous appraisal assignments with other leading professional from across the country on complex assignments.

He was involved in the 6,500 acre Mohave Desert Tortoise Habitat in southern Utah for both the government and property owners. During that assignment, he attended a congressional hearing in Washington D.C.

While appraising all of the land for Bank One Ballpark in Phoenix, he performed a study on the effect of the development of a new stadium on the surrounding area. He was also involved in research and analysis regarding the effect of under-ground water contamination on property values in the Phoenix metro area, and recently completed an assignment for a tax appeal for Turf Paradise, a horse racetrack in Phoenix. Numerous other assignments include Brownfield projects, numerous types of easements, construction defects, mold and other detrimental property conditions.

Mr. Sell's years of knowledge and experience in real estate appraisal, brokerage, development and property management has made him a confident, reputable and well-respected expert witness. His experience in litigation matters is well balanced between plaintiffs and defendants.

Mr. Sell is a Certified General Appraiser in Arizona, Nevada and Hawaii. He holds the MAI and SRA designations from the Appraisal Institute, the SR/WA designation from the International Right of Way Association, the CCIM designation from the CCIM Institute and the MRICS designation from the Royal Institute of Chartered Surveyors. Furthermore, he is a licensed Real Estate Broker in Arizona, a Member of the Real Estate Counseling Group of America, a Registered Property Tax Agent in Arizona and a licensed private pilot.

Currently, Mr. Sell is President of Sell & Associates, Inc., with offices in Tempe and Pinetop, Arizona and Lahaina, Maui, Hawaii. He also is the General Partner and Managing Member of numerous real estate investment and development entities.

Jan can be reached at:

Office: 800.787.0604
Fax: 800.787.0626
Cell: 800-745-7355
Email: jan@sellassoc.com
Web: www.sellassoc.com

On the following pages are Mr. Sell's "Qualifications of the Appraiser".

Professional Designations and Licenses:

MAI: Member, Appraisal Institute, Certificate #6137, Awarded 1980

FRICS: Fellow, Royal Institution of Chartered Surveyors, Awarded 2008

SR/WA Member, International Right of Way Association, Awarded 2007

SRA: Senior Residential Appraiser, Appraisal Institute Awarded 1977

CCIM: Certified Commercial Investment Member, CCIM Institute, Certificate #7302, Awarded 1997

Certified General Real Estate Appraiser, Certificate No. 30120, State of Arizona

Certified General Appraiser, License No. A.0000071-CG, State of Nevada

Certified General Appraiser, License No. CGA848, State of Hawaii

Arizona Property Tax Agent, Registration No. 920067

Licensed Real Estate Broker, License No. BR005056000, State of Arizona (1981)

Licensed Private Pilot

Education:

Masters of Science in Real Estate Appraisal (4.0 GPA), Opus Graduate School of Business, University of St. Thomas, St. Paul, Minnesota, May 2008.

"Certificate of Advanced Appraisal Study", Opus Graduate School of Business, University of St. Thomas, St. Paul Minnesota, May 2006

Post Graduate Study in Real Estate, College of Business Administration, Arizona State University, Tempe, Arizona, 1974-1978

Bachelor of Science Degree in Business Administration, Specialization in Real Estate, Arizona State University, 1974

AIREA Hydrology Seminar," Tempe, Arizona, February, 1986

AIREA Course 3, "Rural Valuation," Dallas, Texas, February 1986

AIREA "Highest and Best Use Seminar," Tucson, Arizona, April, 1986

Planning Association of Arizona, "Planning for Change", Tucson, Arizona, September, 1986

SREA Federal Home Loan Bank Board R41-c Seminar," Oakland, California, December, 1986

SREA International Convention Seminars, Anaheim, 1986, Montreal, 1987

AIREA Course 6, "Computer Assisted Investment Analysis", Tempe, Arizona, March, 1987

AIREA Seminar, "Adjusting Market Sates", Tempe, Arizona, August 1987

AIREA Southwest Regional Convention/Seminars, San Francisco, California, September 1987

AMA, "Cash Equivalency Seminar," Tucson, Arizona, February 1988

The City of the 21st Century Conference, Department of Planning, College of Architecture and Environmental Design, Arizona State University, Tempe, Arizona, April, 1988

Arizona Condemnation and Zoning Seminar, Scottsdale, Arizona, June 1988

SREA "Professional Practice Seminar," Tempe, Arizona, December 1988

AIREA/SREA "Toxic Waste," Phoenix, Arizona, April 1989

AIREA "Standards of Professional Practice Update," Santa Fe, New Mexico, June 1989

SREA Seminar, "Further Developments in Business Enterprise, Value Analysis and the Value Effects of Property Contamination," SREA Symposium, San Antonio, Texas, September, 1990

United States League of Savings Institutions "Post-FIRREA Appraisal Management," Los Angeles, California, October 1990

AIREA Course 10, "Market Analysis for Real Estate Appraisers," Winter Park, Florida, October, 1990

Appraisal Institute "Standards of Professional Appraisal Practice, Parts A & B" Tempe, Arizona, February, 1991

Appraisal Institute and the University of Texas School of Law, "Valuation of Assets in Bankruptcy," Austin, Texas, July, 1991

Action Environmental Services, "Site Assessments, the Legal Approach," Tempe, Arizona, August, 1991

Mortgage Bankers Association of America, Commercial Real Estate Finance/Multifamily Housing Conference, San Diego, California, February, 1992

Appraisal Institute "Standards of Professional Appraisal Practice, Part B" Phoenix, Arizona, May, 1992

American Arbitration Association "Mediation Resolutions," Phoenix, AZ, October 1992

Arizona Board of Appraisal, "Impact of Highway Construction on Real Estate," Phoenix, Arizona, January, 1993

Appraisal Institute "Subdivision Analysis," Phoenix, Arizona, April 1993

Lincoln Graduate Center "Yield Capitalization," Dallas, Texas, April 1993

Seminar "Americans with Disabilities Act," Tempe, Arizona, May, 1993

State Bar of Arizona - Instructor, "Real Estate Appraisal," Phoenix, Arizona, October 1993

Appraisal Institute "Survey Research," Park City, Utah, February 1994

Appraisal Institute "Standards of Professional Appraisal Practice, Parts A & B," Tempe, Arizona, February, 1994

New York University "Annual Pension Fund Conference," New York, New York, May 1994

Appraisal Institute Symposium: "The Changing Role of the Real Estate Analyst," Washington, D.C., October, 1994

Appraisal Institute "Environmental Risk and the Real Estate Appraisal Process," Park City, Utah, February, 1995

ULI (Urban Land Institute) Phoenix District Council "Environmental Issues in Metro Phoenix," Phoenix, Arizona, May, 1995

Appraisal Institute Symposium: "Rapidly Changing Environment in the Real Estate Industry," New Orleans, Louisiana, September, 1995

National Council of Real Estate Investment Fiduciaries (NCREIF) "Valuation Committee Symposium," Phoenix, Arizona, November, 1995

Appraisal Institute "Diversification of Appraisal Services," San Francisco, California, December 1995

Arizona School of Real Estate "Arizona Fair Housing Law, #3269," Phoenix, Arizona, January, 1996

Arizona Board of Appraisal "USPAP and You" Phoenix, Arizona, April, 1996

The American Society of Farm Managers and Rural Appraisers, Inc., "Ranch Appraisal Seminar," Tempe, Arizona, May, 1996

CCIM, "CI 201: Market Analysis for Commercial Investment Real Estate," Phoenix, Arizona, September, 1996

CCIM, "CI 301: Decision Analysis for Commercial Investment Real Estate," Chicago, Illinois, November, 1996

Arizona School of Real Estate & Business "USPAP – Appraisal of Professional Standards & Ethics, #1016017," Scottsdale, Arizona, July, 1998

Appraisal Institute "Litigation Skills for Appraisers; An Overview," Sacramento, California, November, 1998

Appraisal Institute "Valuation of Detrimental Conditions in Real Estate," Sacramento, California 1998

Neutral's Conference, "American Arbitration Association," Orlando, Florida 1998

Appraisal Institute "Condemnation Appraising: Advanced Topics and Applications," Lake Buena Vista, Florida, June, 1999

Arizona School of Real Estate "Federal Fair Housing and the Americans with Disabilities Act," Scottsdale, Arizona, August 1999

Appraisal Institute "The Appraisal of Local Retail Properties", Sun Valley, Idaho, September 1999

Appraisal Institute "Special-Purpose Properties: The Challenges of Real Estate Appraising in Limited Markets," Sun Valley, Idaho, September 1999

National Council of Real Estate Investment Fiduciaries (NCREIF) and the Appraisal Institute, 1999 Symposium "Valuation and the Evolution of the Real Estate Capital Markets", Naples, Florida, October 1999

Appraisal Institute "Attacking and Defending an Appraisal in Litigation", Lake Tahoe, Nevada, October 1999

Appraisal Institute "Lease Abstracting and Analysis", Lake Tahoe, Nevada, October 1999

The Counselors of Real Estate "Real Estate Trends" Annual Convention, Lake Buena Vista, Florida, November, 1999

Arizona Appraisal Coalition "The Impact on Value of Highway Freeway Construction", Tempe, Arizona, October 2000

Appraisal Institute "The Law and Value: Communications Corridors, Tower Sites and Property Rights," Sacramento, California, April 2001

Appraisal Institute "Section 8/HUD Rent Comparability Studies and Standards", Dallas, Texas, April 2001

Appraisal Institute "Standards of Professional Appraisal Practice", Redmond, Washington, May 2001

Mealey's Mold Litigation Conference, Marina del Rey, California, June 2001

International Right of Way Association, Course 403, "Easement Valuation", Las Vegas, Nevada, November 2001

Appraisal Institute "Standards of Professional Appraisal Practice", San Diego, CA, May 2002

Instructor-CLE International, "The Appraisal of Real Estate", Phoenix, AZ, August 2002

American Arbitration Association, "Commercial Arbitrator II", Phoenix, AZ, October 2002

American Arbitration Association, "Pro Se: Managing Cases Involving Self-Represented Parties", AAA Web Radio, December 31, 2003

Real Estate Counseling Group of America, "Spring Conference", Half Moon Bay, California

International Right of Way Association, Course 600, "Environmental Awareness", Tempe, Arizona, April 2004

Valuation 2004 'Standards of Professional Practice Update', Las Vegas, Nevada, May 2004

Real Estate Counseling Group of America, "Fall Conference", San Antonio, Texas, October 2004

American Property Tax "Fall Conference", October 2004, Scottsdale, Arizona

Appraisal Institute, Case Studies in Limited Partnership and Common Tenancy Valuation, Las Vegas, Nevada, October 2004

International Right of Way Association, Course 200, "Principles of Real Estate Negotiation", Phoenix, Arizona, December 2004

Appraisal Institute, Course 800, "Separating Real and Personal Property from Intangible Business Assets", Denver, Colorado, December 2004

Real Estate Counseling Group of America, "Spring Conference", Savannah, Georgia, March 2005

Appraisal Institute Course 400, "2005 National USPAP Update", Tucson, Arizona, April 2005

International Right of Way Association, Course 140, "Principles of Wireless Site Development", Palo Alto, California, September 2005

International Right of Way Association, Course 800, "Principles of Real Estate Law", Sacramento, California, September, 2005

American Property Tax Council and Real Estate Counseling Group of America "Fall Conference", October 2005, Dana Point, California

International Right of Way Association, Course 900, "Principles of Real Estate Engineering", Reno, Nevada, November, 2005

Advanced Topics in Real Estate Appraisal (FINC 745), St. Thomas University, Minneapolis, Minnesota, January 2006

International Right of Way Association, Course 205, "Bargaining Negotiations", Tempe, Arizona, February, 2006

International Right of Way Association, Course 500, "Uniform Relocation Act", Tempe, Arizona, February, 2006

International Right of Way Association, Course 900, "Engineering Plan Development", Tucson, Arizona, March, 2006

Real Estate Counseling Group of America, "Spring Conference", Sedona, Arizona, March 2006
CCIM Institute, "STDB Training Class" Scottsdale, Arizona April 2006

International Right of Way Association, Course 802, "Legal Aspects of Easements", Tucson, Arizona, April, 2006

International Right of Way Association, Course 205, "Bargaining Negotiations", Los Angeles, California, July, 2006

Market Analysis and Feasibility Studies (FINC 746), St. Thomas University, Minneapolis, Minnesota, August 2006

Effective Communications (FINC 742), St. Thomas University, Minneapolis, Minnesota, August 2006

International Right of Way Association, Course 213, "Conflict Management", Tempe, Arizona, September, 2006

American Property Tax Council "Fall Conference", October 2006, Dana Point, California

Real Estate Counseling Group of America, "Fall Conference", Philadelphia, Pennsylvania, October 2005

International Right of Way Association, Course 140, "Principles of Wireless Site Development", Phoenix, Arizona, November 2005

Legal Issues in Valuation (BLAW 730), St. Thomas University, Minneapolis, Minnesota, January 2007

Appraisal Institute "2007 Litigation Shared Interest Group" Los Angeles, CA, March 2007

Arizona School of Real Estate, "2006 National USPAP Update", Scottsdale, Arizona, April 2007

Appraisal Institute Course 102, "Uniform Standards of Professional Appraisal Practice" (USPAP), Salt Lake City, Utah, May 2007

Statistical Analysis for Real Estate Appraisers (DSCI 600-37), St. Thomas University, Minneapolis, Minnesota, August 2007

Urban Land Economics (FINC 743), St. Thomas University, Minneapolis, Minnesota, August 2007

American Arbitration Association, Arbitrator Ethics and Disclosure, AAA Online, November, 2007

Guest Lecturer, Masters in Real Estate Development program, Arizona State University, Tempe, Arizona, 2006-2007

Organizations

- Appraisal Institute
- Royal Institution of Chartered Surveyors
- CCIM Institute
- International Right of Way Association
- Real Estate Counseling Group of America
- The American Real Estate Society
- Institute of Real Estate Management
- National Association of Realtors
- Board of Realtors - SouthEast Valley Regional, White Mountain and Arizona Association of Realtors
- Turn Around Management Association
- Business Leaders Confidence Index (BLCI) Eller College of Management, University of Arizona/Compass Bank
- RERC Regional Survey Participant, RERC Real Estate Report
- Forensic Expert Witness Association
- Past Member, National Roster of Neutrals, Commercial Panel Member, American Arbitration Association
- Past Member, Urban Land Institute
- Past Member, Baseline Rotary Club, Mesa, Arizona

Professional and Civic Activities:

Society of Real Estate Appraisers: Member National Computer Applications Committee, 1985 to 1986

Society of Real Estate Appraisers: Chapter 68 -- Chairman, Professional Practice Committee and Past Chairman Nomination Committee

Society of Real Estate Appraisers: Special Assistant to the International President, 1980 to 1981

Society of Real Estate Appraisers: Young Advisory Council, 1977 and 1978

Society of Real Estate Appraisers: Chapter 68 -- Member, Board of Directors, 1976 to 1982; President, 1980 to 1981; Vice President, 1979 to 1980; Treasurer, 1978 to 1979

Society of Real Estate Appraisers: Chapter 68 Chairman, Internship Committee, 1978 to 1982 and 1985

Society of Real Estate Appraisers: Chapter 68 Member, Education and Program Committee, 1977

Dobson Ranch Homeowner's Association: President, Board of Directors, 1980 to 1981

College of Business Administration, Arizona State University: Guest Lecturer, 1976 to 1982

State Bar of Arizona, Faculty Member, 1993 - 1994

City of Mesa, Arizona: Chairman, Zoning Adjustment Board, 1982 and 1983; Member from 1976 to 1983

City of Mesa, Arizona: Member, Traffic Safety Committee, 1984 to 1986

City of Mesa, Arizona: Member, Design Review Advisory Board, 1986 to 1990

Leadership Training and Development Graduate, Mesa Chamber of Commerce, 1984 to 1985

New Hope for the Blind, Board of Directors, 1984-1986

American Institute of Real Estate Appraisers, Arizona Chapter, Admissions Committee 1984-1987

Appraisal Institute, Review and Counseling Committee Member, 1984 to 1987, 1990 to Present

Deputy Voter Registrar, Maricopa County, Arizona, 1982 to 1984

Valley Partnership, R.E.O. Ad-Hoc Committee, 1989

Appraisal Institute: Assistant Regional Member, Ethics Administration Division, 1994 to Present

International Youth Exchange Chairman, District 5510 Rotary International 1990-1995

Member, Investment Committee, Real Estate Counseling Group of America

Achievements:

Awarded the "Real Estate Appraisal Student of the Year" by Chapter 68, Society of Real Estate Appraisers in conjunction with the College of Business Administration of Arizona State University, 1974

Recipient of the "Real Estate Professional Award" by the College of Business Administration, Arizona State University, April, 1983

Established the second largest Real Estate Valuation and Consulting firm in the nation with offices in Arizona, Nevada, New Mexico and California, 1984-1996

Appraisal Experience:

Assistant Appraiser: Iver C. Johnson Company, 6502 North 35th Avenue, Phoenix, Arizona 85017; April 1973 to June 1974

Staff Appraiser: Valley National Bank of Arizona, 201 North Central Avenue, Phoenix, Arizona; June, 1974 to October, 1978

President/Vice-President: Appraisal Research Consultants, Inc., 3225 North Central Avenue, Phoenix, Arizona 85012; October, 1978 to January, 1980

President: J. A. Sell Corporation, 2111 East Baseline Road, Suite C-4, Tempe, Arizona 85283; January, 1980 to September, 1981

President: Sell, Huish & McFadden, Inc., 4625 South Lakeshore Drive, Tempe, Arizona 85282-7127; October, 1981 to May, 1984.

President: Sell, Huish & Associates, Inc., 4625 South Lakeshore Drive, Tempe, Arizona 85282-7127; May 1984 to March 1998.

President: Sell & Associates, Inc., 4625 South Lakeshore Drive, Tempe, Arizona 85282-7169; April 1998 to Present

Note: I have appraised or assisted in the appraisals, market and feasibility analyses or have provided real estate counseling services for many types of properties and projects including raw land, subdivisions, proposed and existing single-family and condominium developments, offices, commercial buildings, shopping centers, truck stops, apartments, industrial properties, motels, hotels, resorts, corridor/pipeline/power line easement and right-of-way valuations, sand and gravel, inert landfills and golf courses in the metropolitan Phoenix area and throughout the Southwestern United States. I have participated in Eminent Domain valuations in the states of Arizona and Nevada have testified as an Expert Witness in the Superior Court in Maricopa, Navajo and Yavapai Counties, Arizona. Also in the State Court in Clark County, Nevada, San Mateo, California and the U.S. Courts in Phoenix, Arizona, Las Vegas, Nevada and San Diego, California. Other areas of experience include forensic valuation services, interim construction inspections, valuations for property tax appeals, detrimental conditions valuation, appraisal reviews, real estate brokerage and counseling, commercial property management and litigation support. Also, I have acted as an appraisal management consultant for several financial institutions and communities in Arizona.

Other Experience and Business Associations

Founding Director: Sun National Bank, Mesa, Arizona, 1984-1987

Member: Loan Committee and Business Development Committee, Sun National Bank, Mesa, Arizona, 1984 -1987

Designated Broker: Anredon Properties, Inc., a Real Estate Brokerage and Property Management Corporation, 1986-1998

Vice President: Anredon Mortgage Corporation, 1981-1983

Designated Broker: CarrAmerica Realty Corporation, 2720 W. Camelback Rd., Suite 280, Phoenix, AZ, July-October 1999

Designated Broker: Sell & Associates, Inc., 1998-2005 (except for July-October 1999)

Designated Broker: Sell Properties L.L.C., 2005-Present

I have remodeled numerous residential structures and commercial buildings as well as developed a custom family residence, two professional office buildings, a restaurant, and a proposed 92-room motel, retail center and a 26 unit apartment complex. Furthermore, I manage or have managed numerous residential units, office and retail buildings and other commercial properties and vacant land.

Expert Witness Experience:

State Courts: Maricopa, Navajo, Coconino, Cochise and Yavapai Counties, Arizona;
Clark County, Nevada, San Mateo County, California

Federal District Courts: Phoenix, Arizona; San Diego and San Francisco Calif.; Lubbock, Texas

Geographical Areas of Appraisal Experience:

States of Arizona, Nevada, New Mexico, Utah, Colorado, California, Texas, Wyoming, Missouri, Hawaii, Alaska, Pennsylvania, Washington, Oregon and the State of Baja California Del Norte, Mexico

Professional Qualifications of J. Douglas Estes, MAI, SR/WA

Professional Certification, Designation and Associations

- Arizona Certified General Real Estate Appraiser Number 30821
- MAI, Appraisal Institute, Certificate Number 11429
- SR/WA, International Right of Way Association, Designation Number 5641

Experience

Firms

- 1998—Present, Real Estate Appraiser for Sell & Associates, Tempe, AZ
- 1994—1998, Real Estate Appraiser for Sell, Huish & Associates, Tempe, AZ
- 1993—1994, Appraisal Researcher for R.H. Whitlatch & Associates, Yuma, Arizona
- 1989—1993, Construction Estimator for Estes Insulation, Yuma, Arizona

Property Types/Assignments

- | | |
|---|----------------------------------|
| • Expert Witness Testimony | • Desert Land |
| • Industrial Buildings | • Agricultural Land |
| • Retail Buildings | • Ranches |
| • Gas Stations and Convenience Stores | • Mobile Home and RV Parks |
| • Environmentally Contaminated Property | • Single-Family Residences |
| • Rights-of-Way and Easements | • Funeral Homes |
| • Multi-Family Residential Properties | • Auto Service Facilities |
| • Residential Subdivisions | • Auto Sales Facilities |
| • Medical Office Buildings | • Sand and Gravel Land (Mine) |
| • Billboard Leases | • Feasibility Studies |
| • Transportation and Utility Corridors | • RV and Boat Storage Facilities |
| • Leased Fee Analysis/Valuations | • Partial Interest Valuations |
| • Mini-Storage Facilities | • Master Planned Communities |
| • Historic Properties | • Partial Taking Valuations |
| • Professional Office Buildings | • Transit Warehouses |
| • Section 8 Rent Comparability Studies | • Commercial Subdivisions |

Geographical Areas

- | | |
|--------------|---|
| • Arizona | • Mexico |
| • California | • Gila River Indian Community |
| • Utah | • Navajo Nation |
| • New Mexico | • Salt River Pima Maricopa Indian Community |
| • Nevada | |

Litigation Assignments

- | | |
|---------------------------------|--------------------------|
| • Eminent Domain | • Foreclosure |
| • Bankruptcy | • Real Estate Tax Appeal |
| • Divorce | • Insurance Claim |
| • Income, Gift and Estate Taxes | • Fraud |

Education

- Bachelor of Science, Business Management-Finance, Cum Laude, Marriott School of Management, Brigham Young University, 1989

Professional Courses

- AI Seminar, Uniform Appraisal Standards for Federal Land Acquisitions, Phoenix, 2009
- IRWA Course 803, Eminent Domain Law Basics for the Right of Way Professional, Phoenix 2009
- AI Seminar, Appraising Distressed Commercial Real Estate: Here We Go Again, Mesa 2009
- IRWA Course 410, Reviewing Appraisals in Eminent Domain, Tempe, 2008
- IRWA Course 401, Appraisal of Partial Acquisitions, Los Angeles, 2007
- IRWA Course 900, Principles of Real Estate Engineering, Tempe, 2007
- IRWA Course 213, Conflict Management, Tempe, 2006
- IRWA Course 205, Bargaining Negotiations, Tempe, 2006
- IRWA Course 800, Principles of Real Estate Law, Tempe, 2006
- IRWA Course 212, Creatively Solving Problems in Groups, Tempe, 2005
- IRWA Course 104, Standards of Practice for the Right of Way Professional, 2005
- IRWA Course 200, Principles of Real Estate Negotiation, Phoenix, 2004
- IRWA Course 403, Easement Valuation, Phoenix, 2004
- IRWA Course 214, Skills of Expert Testimony, Phoenix, 2004
- AI Seminar, Online Valuation of Detrimental Conditions, Online, 2003
- AI Course 420N, Business Practices and Ethics, Tempe, 2003
- IRWA Course 802, Legal Aspects of Easements, Phoenix 2003
- AI Course 410, Standards of Professional Practice, Part A, Tempe 2003
- AI Course 705, Litigation Appraising: Specialized Topics and Applications, Tempe 2002
- AI Course 700, Appraiser as Expert Witness: Preparation and Testimony, Tempe 2002
- AI Course 720, Condemnation Appraising: Advanced Principles, Tempe 2000
- AI Course 710, Condemnation Appraising: Basic Principles, Tempe 2000
- Comprehensive Appraisal Workshop, Dallas, Texas, 1996
- AI Course 550, Advanced Applications, San Diego, California, 1996
- AI Course 540, Report Writing & Valuation Analysis, San Diego, California, 1995
- AI Course 530, Sales Comparison & Cost Approaches, Boulder, Colorado, 1995
- AI Course 420, Code of Professional Ethics, Las Vegas, Nevada, 1995
- AI Course 410, USPAP, Las Vegas, Nevada, 1995
- AI Course 520, Highest and Best Use and Market Analysis, Tempe, AZ, 1995
- AI Course 510—Advanced Income Capitalization, San Jose, California, 1994
- AI Course 310—Basic Income Capitalization, San Diego, California, 1993
- AI Course 110—Appraisal Principles, Salt Lake City, Utah, 1993

Other Readings/Studies

- Principles of Right of Way (International Right of Way Associations)
- Numerous Eminent Domain Cases
- Real Estate Valuation in Litigation, 2nd Edition (Chicago: Appraisal Institute, 1995)
- The Appraisal of Real Estate (Chicago: Appraisal Institute)

Other Professional & Civic Activities

- IRWA Kachina Chapter 28 Professional of the Year, 2008
- IRWA Kachina Chapter Executive Board, 2006-2009 (2008 President)
- IRWA Kachina Chapter-Seminar Committee, 2004-2008
- IRWA Kachina Chapter-Marketing and Public Awareness Chairman, 2004-2009
- Arizona Management Group
- Boy Scouts of America
- Instructor for Lorman Education Services
- Spanish Speaking